JUNE 1, 2017: UPDATED PER UNIFORM GRANTS GUIDANCE REQUIREMENTS

**SECTION 800**

**AUDIT REQUIREMENTS**

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**SECTION 800: AUDIT PROCEDURES**

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# 801. Purpose of Section

The purpose of this section is to establish procedures to be followed for the engagement, completion, distribution, resolution and acceptance of audit reports as adopted by the Area Agency on Aging with regard to its review and comment process of the audits of its funded service providers operating with a grant.

# 802. Definitions

1. Auditee means any organization that expends Federal awards which must be audited under these requirements.
2. An auditor is a public accountant or a Federal, State or local government audit organization, which meets the general standards specified in "Government Auditing Standards." The term auditor does not include internal auditors of non-profit organizations.
3. Audit finding means deficiencies which the auditor is required by OMB Uniform Grants Guidance to report in the schedule of findings and questioned costs.
4. CFDA number means the number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA).
5. Cluster of programs means Federal Programs with different CFDA numbers that are defined as a cluster of programs in the compliance supplements because they are closely related programs and share common compliance requirements. A cluster of programs shall be considered as one program for determining major programs and whether a program-specific audit may be elected.
6. Cognizant agency means the Federal agency that is assigned audit responsibility for a particular grantor or grantee by the Office of Management and Budget or if not assigned, the Federal oversight agency for audit which provides the predominant amount of funding to the Grantee.
7. Compliance supplements refers to appendices to the OMB Uniform Grants Guidance or such documents as the Office of Management and Budget (OMB) or its designee may issue to replace them.
8. Corrective action means action taken by the auditee that:

(1) Corrects identified deficiencies;

(2) Produces recommended improvements; or

(3) Demonstrates that audit findings are either invalid or do not warrant auditee action.

1. Federal award is the federal financial assistance that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity, or the cost-reimbursement contract under the Federal Acquisition Regulations that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity. A federal award is also the instrument (i.e., grant agreement, cooperative agreement, other agreement for assistance, or the cost-reimbursement contract awarded under the Federal Acquisition Regulations) setting forth the terms and conditions. Federal award does not include other contracts that a Federal agency uses to buy goods or services from a contractor or a contract to operate Federal Government owned, contractor operated facilities.
2. Federal financial assistance means assistance received or administered to carry out a program. Such assistance may be in the form of grants, cooperative agreements, donated surplus property, food commodities, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other assistance.
3. Federal program means:
4. All Federal awards under the same CFDA number. When no CFDA number is assigned, all Federal awards from the same agency made for the same purpose should be combined and considered one program. State governments may combine funding from different Federal awards in providing assistance to their sub-recipients when the awards are closely related programs and share common compliance requirements. In this case, the State government may require the sub-recipient to treat the combined Federal awards as a single program.
5. A category of Federal awards which is a group of awards in the categories of:
6. Research and development;
7. Student financial aid; or
8. Cluster of programs.
9. Generally accepted accounting principles has the meaning specified in generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA).
10. "Government Auditing Standards" means generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits.
11. Grantee means the non-profit, profit, or governmental service provider to which a grant is awarded and which is accountable to the Grantor for the use of funds provided.
12. Grantor means the Area Agency on Aging.
13. Internal control has the meaning specified in generally accepted auditing standards issued by the AICPA.
14. Management decision means the evaluation by the Area Agency of the audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary.
15. Non-profit organization means any corporation, trust, association, cooperative or other organization which:

(1) Is operated primarily for scientific, educational, service, charitable or similar purposes in the public interest;

(2) Is not organized primarily for profit; and

(3) Uses its net proceeds to maintain, improve or expand its operations.

1. OMB means the Executive Office of the President, Office of Management and Budget.
2. Program-specific audit means an audit of one Federal program.
3. Questioned cost means a cost that is questioned by the auditor because of an audit finding:

(1) Which resulted from a possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds;

(2) Where the costs, at the time of the audit, are not supported by adequate documentation; or

(3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

1. Single audit means an audit which includes both the entity's financial statements and the Federal awards.
2. Vendor means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program.

# 803. Statement of General Policy Regarding Audits

1. All Area Agency - funded service providers receiving federal awards must comply with the provisions of these Audit Requirements.
2. All Area Agency-funded service providers are required to perform an annual audit.
3. All grantees must comply with the provisions of the Single Audit Act (31 U.S.C. 7501-7507), as amended by the Single Audit Act Amendments of 1996 (P.L. 104-156) and Office of Management and Budget (OMB) Uniform Grants Guidance.
4. **804. Audit Requirements** Audit Required-Grantees that expend $750,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part. Grantees must provide information regarding total expenditures of Federal awards for the grantee's fiscal year to the Area Agency, if requested, in order to monitor audit applicability.
5. Single Audit-Grantees that expend $750,000 or more in a year in Federal awards shall have a single audit, except when they elect to have a program-specific audit conducted in accordance with Section 804-C.
6. Program Specific Audit Election - When a grantee expends $750,000 or more in a year in Federal awards under only one Area Agency program, the grantee may elect to have a program-specific audit. A program-specific audit may not be elected unless all expenditures of the grantee are for Federal awards received under one program from the Area Agency. The Area Agency must approve all program-specific audit elections in advance.

1. In accordance with the Grants Accountability and Transparency Act (GATA):

(a) Non-Federal entities (subrecipients and grantees) who expend less than $750,000 in federal and federal pass-through funds from all sources and not subject to the Single Audit requirements are subject to the following:

(1) Non-Federal entities (subrecipients and grantees) who ***expend*** $300,000 or more in state, federal and federal pass-through funds, singularly or in any combination, and are not subject to the Single Audit, must have a financial statement audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

(2) Non-Federal entities (subrecipients and grantees) who do not meet the requirements in 2(a)(1) but have ***REVENUES*** in excess of $300,000 during the awardees fiscal year must have a financial statement audit conducted in accordance with Generally Accepted Auditing Standards (GAAS).

(b) *For-profit subrecipient.* The pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients.

(1) For-profit subrecipients audit requirements. For-profit subrecipients who expend $750,000 or more in federal and federal pass-through funds during their fiscal year are required to have a Program-specific audit conducted in accordance with §200.507 Program-specific audits.

i) State grant making agencies must provide the grantee the Program-specific audit guide when available.

ii) If a program-specific guide is not available, the auditor and auditee have the same responsibilities for the Federal program as they would have for a major program in a single audit.

(2) For-profit subrecipients who expend less than $750,000 in state, federal and federal pass-through funds during their fiscal year are required to follow the audit requirements in 2(a).

(c) Non-Federal entities (subrecipients and grantees) not required to have an audit conducted must submit a Consolidated Year-End Financial Report (CYEFR)

1. Audit Required-Grantees that expend $750,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part. Grantees must provide information regarding total expenditures of Federal awards for the grantee's fiscal year to the Area Agency, if requested, in order to monitor audit applicability.
2. Single Audit-Grantees that expend $750,000 or more in a year in Federal awards shall have a single audit, except when they elect to have a program-specific audit conducted in accordance with Section 804-C.
3. Program Specific Audit Election - When a grantee expends $750,000 or more in a year in Federal awards under only one Area Agency program, the grantee may elect to have a program-specific audit. A program-specific audit may not be elected unless all expenditures of the grantee are for Federal awards received under one program from the Area Agency. The Area Agency must approve all program-specific audit elections in advance.
4. When expenditures are less than $750,000- A grantee that expends less than $750,000 a year in Federal awards is exempt from the federal audit requirements for that year but is required by ECIAAA to conduct a financial audit. A copy of the audit report must be submitted to the Area Agency within thirty (30) days of its receipt by the provider. Records must be available for review by appropriate officials of the Federal Government, General Accounting Office, Illinois Department on Aging, Area Agency, or anyone authorized by the above.

# 805. Basis for Determining Federal Awards Expended

The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the grantee to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to sub-recipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-profit organization to an interest subsidy; and the period when insurance is in force.

# 806. Sub-recipient and Vendor Determinations

1. A grantee may be a sub-recipient and a vendor. Federal awards expended as a sub-recipient would be subject to audit under these requirements. The payments received for goods or services provided as a vendor would not be considered Federal awards. The guidance in 806 B and C of this section should be considered in determining whether payments constitute a Federal award or a payment for goods and services.
2. Federal Award - Characteristics indicative of a Federal Award received by a sub-recipient are when the organization:

(1) Determines who is eligible to receive what Federal financial assistance;

(2) Has its performance measured against whether the objectives of the Federal program are met;

(3) Has responsibility for programmatic decision making;

(4) Has responsibility for adherence to applicable Federal program compliance requirements; and

(5) Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

1. Payments for Goods and Services - Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

(1) Provides the goods and services within normal business operations;

(2) Provides similar goods or services to many different purchasers;

(3) Operates in a competitive environment;

(4) Provides goods or services that are ancillary to the operation of the Federal program; and

(5) Is not subject to compliance requirements of the Federal program.

# 807. Relation to Other Audit Requirements

1. An audit made in accordance with the Single Audit Act and OMB Uniform Grants Guidance shall be in lieu of any financial audit required under these requirements. This does not limit the authority of the Area Agency to conduct or arrange for additional audits (e.g., financial audits, performance audits, evaluations, inspections or reviews) or authorize any grantee to constrain representatives noted in Section 804-D from carrying out additional audits. Any additional audits shall be planned and performed in such a way as to build upon work performed by other auditors.
2. The Area Agency or any agency that conducts or contracts for additional audits shall, consistent with applicable laws and regulations, arrange for funding the cost of such additional audits.
3. The Area Agency may request a grantee to have a particular Federal program audited as a major program in lieu of conducting or arranging for the additional audits. To allow for planning, such requests should be made at least 180 days prior to the end of the fiscal year to be audited. The grantee, after consultation with its auditor, should promptly respond to such request by informing the Area Agency whether the program would otherwise be audited as a major program using the risk-based audit approach and, if not, the estimated incremental cost. The Area Agency shall then promptly confirm to the grantee whether it wants the program audited as a major program. If the program is to be audited as a major program based upon this Area Agency request, and the Area Agency agrees to pay the full incremental costs, then the grantee shall have the program audited as a major program.

# 808. Frequency of Audits

1. Audits required by these requirements shall be performed annually. However, the Area Agency may allow a grantee that elects a program specific audit under Section 804-C to perform the audit every two years. Two year audits must cover both years.
2. Any grantee that had biennial audits for all biennial periods ending between July 1, 1992 and January 1, 1995 is permitted to undergo its audits pursuant to these requirements biennially. Audits conducted biennially under the provisions of this paragraph shall cover both years within the biennial period.

# 809. Sanctions

No audit costs may be charged to Federal awards when audits required by these requirements have not been made or have been made but not in accordance with these requirements. In cases of continued inability or unwillingness to have an audit conducted in accordance with these requirements, the Area Agency shall take appropriate action using sanctions such as:

(1) Withholding a percentage of Federal awards until the audit is completed satisfactorily;

(2) Suspending Federal awards until the audit is completed satisfactorily; or

(3) Terminating the Federal award.

# 810. Audit Costs

Unless prohibited by law, the costs of audits made in accordance with the provisions of these requirements are allowable charges to Federal Awards. The charges may be considered a direct cost or an allocated indirect cost, as determined in accordance with the provisions of applicable OMB Uniform Grants Guidance cost principles, or other applicable cost principles or regulations.

The cost of any audit not performed in accordance with the provisions of these requirements is an unallowable Federal cost except the Area Agency may allow the cost of limited scope audits to monitor grantees.

# 811. Program-Specific Audits

A. When a program-specific audit is performed, the grantee and the auditor shall have basically the same responsibilities for the Federal program as they would have for an audit of a major program in a single audit.

B. The grantee shall prepare the financial statement(s) for the Federal program that includes, at a minimum, a schedule of the Federal program's expenditures and notes that describe the significant accounting policies used in preparing the schedule, a summary schedule of prior audit findings and a corrective action plan.

C. The auditor shall:

(1) Perform an audit of the financial statement(s) for the Federal program in accordance with Government Auditing Standards;

(2) Obtain an understanding of internal control and perform tests of internal control over the Federal program consistent with the requirements of OMB Uniform Grants Guidance for a major program;

(3) Perform procedures to determine whether the grantee has complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on the Federal program consistent with the requirements of OMB Uniform Grants Guidance for a major program; and

(4) Follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the grantee and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding in accordance with the requirements of OMB Uniform Grants Guidance.

D. The auditor's report(s) may be in the form of either combined or separate reports and may be organized differently from the manner presented in this section. The auditor's report(s) shall state that the audit was conducted in accordance with this part and include the following:

(1) An opinion (or disclaimer of opinion) as to whether the financial statement(s) of the Federal program is presented fairly in all material respects in accordance with the stated accounting policies;

(2) A report on internal control related to the Federal program, which shall describe the scope of testing of internal control and the results of the tests;

(3) A report on compliance which includes an opinion (or disclaimer of opinion) as to whether the grantee complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on the Federal program; and

(4) A schedule of findings and questioned costs for the Federal program that includes a summary of the auditor's results applicable to the audit of the Federal program.

E. The audit shall be completed and submitted to the Area Agency seven (7) months after the end of the audit period, unless a longer period is agreed to in advance by the Area Agency. Also, this required reporting shall be submitted within thirty

(30) days after the issuance of the auditor's report(s) to the grantee. Unless restricted by law or regulation, the grantee shall make report copies available for public inspection.

# 812. Grantee Responsibilities

The Grantee shall:

(1) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CDFA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

(2) Maintain internal control over Federal programs that provides reasonable assurance that the grantee is managing Federal awards in compliance with laws, regulations, and the provisions that could have a material effect on each of its Federal programs. waste

(3) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

(4) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with Section 814.

(5) Ensure that the audits required by this part are properly performed and submitted when due.

(6) Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.

# 813. Auditor Selection

A. In arranging for audit services, grantees shall follow the procurement standards prescribed by the OMB Uniform Grants Guidance. Sound contract award and approval procedures, including the monitoring of contract performance should be in place. The objectives and the scope of the audit should be made clear. In addition to price, other factors to be considered should be auditor responsiveness, experience, professional qualifications and technical abilities.

B. It is the grantee's responsibility to assure that each audit organization conducting audits are in accordance with these Audit Requirements should have an appropriate internal quality control system in place and undergo an external quality control review. The grantee should obtain representations from the audit organization that all continuing education requirements have been met in accordance with Government Auditing Standards.

C. The grantee must request a copy of the auditor’s peer review report.

D. A copy of the written Engagement Letter between the grantee and the audit organization must be approved by the Area Agency prior to commencement of audit fieldwork.

# 814. Financial Statements

A. The grantee shall prepare financial statements that reflect its financial position, results of operations and, where appropriate, cash flows for the fiscal year audited. The financial statements shall be for the same organizational unit and fiscal year that is chosen to meet these Audit Requirements. The financial statements shall be prepared in accordance with Generally Accepted Accounting Principles as appropriate for the organizational unit.

B. The grantee shall also prepare a schedule of expenditures of Federal awards for the period covered by the grantee's financial statements. While not required, it is appropriate for the grantor to provide information requested to make the schedule easier to use by the Area Agency. The grantee must provide to the Area Agency, if requested, a reconciliation of expenditures reported to the Area Agency to the expenditures reported on the schedule of expenditures of Federal awards. At a minimum, the schedule of expenditures of Federal awards shall include:

(1) List individual Federal programs by Federal agency and major subdivision within a Federal agency. For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

(2) Provide total expenditures for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

(3) Identify major programs.

(4) Include notes that describe the significant accounting policies used in preparing the schedule and identify in the notes the dollar threshold used to distinguish between Type A and Type B programs.

(5) To the extent practical, pass through entities should identify in the schedule, the total amount provided to sub-recipients from each Type A program and from each Type B program which is audited as a major program.

(6) List individual Federal awards within a category of Federal awards.

(7) Include, in either the schedule or a note to the schedule, the value of non-cash assistance expended, insurance in effect during the year, and loans or guarantees outstanding at year end.

# 815. Audit Findings Follow-up

A. The grantee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the grantee shall prepare a summary schedule of prior audit findings. The grantee shall also prepare a corrective action plan for current year audit findings.

B. The summary schedule of prior audit findings shall report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule shall also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected, or no longer valid or not warranting further action.

(1) When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.

(2) When audit findings were not corrected, or were only partially corrected, the summary schedule shall describe the planned corrective action as well as any partial corrective action taken.

(3) When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Area Agency's management decision, the summary schedule shall provide an explanation.

(4) When the grantee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

(i) Two years have passed since the audit report in which the finding occurred was submitted to the Area Agency;

(ii) The Area Agency is not currently following up with the auditee on the audit finding; and

(iii) A management decision was not issued.

C. At the completion of the audit, the grantee shall prepare a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the grantee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.

# 816. Report Submission

A. The audit shall be completed and the reporting package described below submitted within seven (7) months after the end of the audit period, unless a longer period is agreed to in advance by the Area Agency. Also, the reporting package shall be submitted within thirty (30) days after issuance of the auditor's report(s) to the grantee. Unless restricted by law or regulation, the grantee shall make copies available for public inspection.

B. The grantee shall complete a certification form which states whether the audit was completed in accordance with Federal regulations and provides information about the grantee, its Federal programs, and results of the audit. The grantee's Chief Executive Officer or Chief Financial Officer shall sign a statement that the information on the form is accurate and complete.

The requirements for the content of the Certificate of Audit and all information to accompany the Certificate of Audit is specified in OMB Uniform Grants Guidance. The Certificate of Audit and accompanying information must be prepared and submitted as required by OMB Uniform Grants Guidance.

The grantee shall submit to the Area Agency one copy of the:

(1) Certificate of Audit and accompanying information as specified in OMB Uniform Grants Guidance;

(2) Reporting package as described in the OMB Uniform Grants Guidance. The reporting package shall include:

1. Financial Statements and schedule of expenditures of Federal awards;
2. Summary schedule of prior audit findings;
3. Auditor's report(s); and
4. Corrective action plan.

C. Grantees shall keep one copy of the reporting package on file for three (3) years from the date of submission to the Area Agency.

# 817. Area Agency Responsibility

A. The Area Agency shall perform the following for the Federal awards it makes:

(1) Shall provide technical advice to grantees and auditors as requested.

(2) Advise the grantee and, where appropriate, the auditor of any deficiencies found in the audits when the deficiencies require corrective action by the auditor. When advised of deficiencies, the grantee shall work with the auditor to take corrective action. If corrective action is not taken, the Area Agency shall notify the auditor, the grantee and other applicable agencies of the facts and make recommendations for follow-up action. Major inadequacies or repetitive substandard performance by auditors shall be referred to appropriate State licensing agencies and professional bodies for disciplinary action.

(3) Identify Federal awards made by informing each sub-recipient of CFDA title and number, award name and number, award year, and name of Federal agency.

(4) Advise sub-recipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the Area Agency.

(5) Monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

(6) Ensure that sub-recipients expending $750,000 or more in Federal awards during the sub-recipient's fiscal year have met the audit requirements for that fiscal year.

(7) Issue a management decision on audit findings within six (6) months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action.

(8) Consider whether sub-recipient audits necessitate adjustment of the Area Agency's own records.

(9) Require each sub-recipient to permit the Area Agency and auditors to have access to the records and financial statements as necessary for the Area Agency to comply with this part.

# 818. Management Decision

A. The Area Agency shall be responsible for making the management decision for audit findings that relate to Federal awards it makes to grantees.

B. The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the grantee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Area Agency may request additional information or documentation from the grantee, including a request that the documentation be audited, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the grantee.

C. The Area Agency shall make the management decision within six (6) months of receipt of the audit report. Corrective action should be initiated within six (6) months and proceed as rapidly as possible.

# 819. Scope of Audit

A. The audit shall be conducted in accordance with Government Auditing Standards.

B. Financial Statements - The auditor shall determine whether the financial statements of the grantee are presented fairly in all material respects in conformity with generally accepted accounting principles. The auditor shall also determine whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the grantee's financial statements taken as a whole.

C. Internal Control

(1) In addition to the requirements of Government Auditing Standards, the auditor shall perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to achieve a low assessed level of control risk for major programs.

(2) Except as provided in Section 819(c)(3), the auditor shall;

(i) Plan the testing of internal control over major programs to achieve a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program; and

(ii) Perform testing of internal control over major programs as planned in Section 819(c)(2)(i). UGG, 200.520 Criteria for a low risk auditee

(3) When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in Section 819(c)(2) are not required for those compliance requirements.

However, the auditor shall report a reportable condition or a material weakness, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control over the major program.

D. Compliance

(1) In addition to the requirements of Government Auditing Standards, the auditor shall determine whether the grantee has complied with laws, regulations, and the provisions of procurement agreements that may have a direct and material effect on each of its major programs.

(2) The compliance testing shall include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance for each major program.

(3) The principle compliance requirements of the largest Federal programs are included in the compliance supplements.

(4) For federal programs contained in the compliance supplements, an audit of the compliance requirements contained in the compliance supplements will meet the requirements of this part. Where there have been changes to the compliance requirements and the changes are not reflected in the compliance supplements, the auditor shall determine the current compliance requirements and modify the audit procedures accordingly. For those Federal programs not covered in the compliance supplements, the auditor should use the types of compliance requirements (e.g., cash management, Federal financial reporting, allowable costs/cost principles, types of services allowed or unallowed, eligibility, and matching) contained in the compliance supplements as guidance by identifying the types of compliance requirements, to test and determine the requirements governing the Federal program by reviewing the provisions of contracts and grant agreements and the laws and regulations referred to in such contracts and grant agreements.

E. Audit Follow-up - The auditor shall follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee, and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor shall perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.

# 820. Audit Reporting

The auditor shall prepare reports on the financial statements, compliance and internal control as required by professional standards, including Generally Accepted Auditing Standards, Government Auditing Standards, the Single Audit Act, and OMB Uniform Grants Guidance.

# 821. Audit Findings

Audit findings and a schedule of findings and questioned costs shall be prepared by the auditor in accordance with the provisions of Government Auditing Standards and OMB Uniform Grants Guidance.

# 822. Audit Working Papers

A. The auditor shall retain working papers and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the grantee, unless the auditor is notified in writing by the Area Agency or other oversight agency to extend the retention period. When the auditor is aware that the Area Agency, other oversight agency or the grantee is contesting an audit finding, the auditor shall contact the one contesting the audit finding for guidance prior to destruction of the working papers and reports.

B. Audit working papers shall be made available upon request to the Area Agency or other oversight agency or their designee at the completion of the audit. Access to working papers includes the right to obtain copies of working papers, as is reasonable and necessary.

# 823. Major Program Determination

The auditor shall use a risk-based approach to determine which Federal programs are major programs. The auditor shall follow the guidance in OMB Uniform Grants Guidance for determining a major program.