INTRODUCTION

The Single Audit Act of 1984 and Office of Management and Budget Circular A-128 "Audits of State and Local Governments" established certain responsibilities for governmental entities receiving federal funding and passing $25,000 or more through to sub-recipients. The same responsibilities are placed upon the sub-recipients if they in turn provide $25,000 or more to their sub-recipients. Thus, the counties have the same responsibilities for the audits of their providers as the Department has for the audits of the counties.

These responsibilities include:

- determining whether the sub-recipients have met the audit requirements of the applicable circular (OMB Circular A-128 for sub-recipients that are governmental entities, and OMB Circular A-133 for sub-recipients that are non-profit organizations);
- determining through review of the audit report whether the sub-recipient spent financial assistance funds in accordance with applicable laws and regulations;
- ensuring that corrective action is taken within six months after receipt of the audit report when there are instances of noncompliance with laws and regulations indicated in the report,
- considering whether the sub-recipient audits necessitate adjustment of the recipient's own records; and
- requiring each sub-recipient to permit independent auditors to have access to the records and financial statements as necessary to comply with the applicable circulars.

The Department of Health and Social Services has issued several policies in the past governing resolution of audits of county agencies and the responsibilities that the counties assume, as a result of receiving federal and state funds passed through to them from the Department, for resolving the audits of the provider agencies with which they contract. One of the purposes of this chapter is to update and consolidate these earlier memos. The earlier memos being updated and consolidated in this chapter are:

- DCS-87-77 - Treatment of Fiscal and Compliance Audit Exceptions in Audits of County Agencies
- DCS-83-28 - Responsibility of Counties for Audits of Provider Agencies
- DCS-84-60 - Policy for Resolution of Vendor Agency Audits by County Agencies (Vendor
Part A of this chapter is the consolidated, updated DHSS policy governing county audits and county responsibilities for reviewing and resolving county sub-recipient audits. The Department's policy on the treatment of audit findings is intended to provide a more uniform and equitable resolution of findings disclosed in audit reports.

This chapter includes two other parts. Part B offers additional information, in what we hope is a user-friendly "Question and Answer" format, on DHSS audit policies and on other audit matters of interest to counties.

Finally, to assist counties in fulfilling their sub-recipient monitoring responsibilities, Part C provides a sample audit review checklist tool used by the DHSS' Office of Program Review and Audit. A county may find it useful to use the checklist: (1) as a template for creating or updating the county's own checklist for reviewing its sub-recipient audits; and (2) as a guide for evaluating the county's own audit report prior to submission to this department.

Part A - Policy and Guidance for Resolving Audit Findings
Part B - Audit Resolution Questions and Answers
Part C - Sample Audit Desk Review Checklist

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