

APPENDIX C-1

AUDIT REQUIREMENTS

The PROVIDER must comply with all Federal, State and COUNTY audit requirements including: the Single Audit Act as amended; 2 CFR Part 200 as amended, and any other applicable law, regulation, or policy and any amendment to such other applicable law, regulation or policy which may be enacted or promulgated by these governments. If any Federal statute specifically prescribes policies or requirements that differ from those provided herein, the provisions of that Federal statute shall govern.

Federal Audit Requirements

If the PROVIDER is a non-profit organization and expends total Federal awards of \$750,000 or more during its fiscal year that are received either directly from the Federal government or indirectly from a pass-through entity, or a combination of both to carry out a Federal program, the PROVIDER is required to have an audit made in accordance with the provisions of 2 CFR Part 200.501.

A PROVIDER that is a for-profit organization is required to have an audit if it expends a total of \$750,000 or more of Federal awards that it received directly or indirectly under one or more Department of Health and Human Services (DHHS) Federal awards during its fiscal year. The audit shall be made in accordance with generally accepted Government Auditing Standards as revised and published by the Comptroller General of the United States (GAGAS) or 2 CFR Part 200 as amended.

If the PROVIDER expends total Federal awards of less than \$750,000 during its fiscal year, it is exempt from these Federal audit requirements and is required to maintain auditable records of Federal, State, COUNTY and other funds which supplement such awards. The PROVIDER shall provide access to such records by Federal, State, and COUNTY agencies or their designees.

The aforementioned provisions neither limit the authority of Federal, State or COUNTY agencies to conduct or arrange for additional audits nor authorize any PROVIDER to constrain these agencies from carrying out additional audits. While the PROVIDER may be exempt from Federal audit requirements, Pennsylvania Department of Human Services (DEPARTMENT) and COUNTY audit requirements may be applicable.

DEPARTMENT and COUNTY Audit Requirements

Non-profit and for-profit PROVIDERS must meet the DEPARTMENT'S and COUNTY'S following annual audit requirements.

Where a single audit or program-specific audit is conducted in accordance with the Federal audit requirements detailed above, such an audit will be accepted by the DEPARTMENT and COUNTY provided that: (1) a full copy of the audit report is submitted as detailed below and (2) all DEPARTMENT and COUNTY audit requirements have been met, including the inclusion of the prescribed Independent Accountant's Report on Applying Agreed-Upon Procedures (AUP REPORT) with respect to any financial schedules and exhibits required by the DEPARTMENT within the audit package submitted. The incremental cost for preparation of any AUP REPORT(s) or schedules cannot be charged to Federal funding streams.

In the absence of a Federally required audit, the PROVIDER is responsible for the following annual audit requirements, which are based upon the program year specified in the CONTRACT.

PROVIDERS that expend \$750,000 or more in combined State and Federal funds, but less than \$750,000 in Federal funds, during a program year are required to have an audit of those funds made in accordance with GAGAS and Agreed-Upon Procedures performed with respect to the financial schedules and exhibits as required by the DEPARTMENT. Where such an audit is not required to meet Federal audit requirements, the costs related to the DEPARTMENT'S audit requirements cannot be charged to Federal funding streams.

When the aforementioned Federal and DEPARTMENT audit requirements are not applicable and the PROVIDER expends \$150,000 or more in Federal, State and/or COUNTY funds that are received from the COUNTY during the term of any contract(s) with the COUNTY, the PROVIDER is required to have an audit of those funds made in accordance with GAGAS. Where such an audit is not required to meet Federal audit requirements, the costs related to this audit requirement cannot be charged to Federal funding streams.

If the PROVIDER enters into agreements with subcontractor(s) for the performance of any primary contractual duties, these audit requirements are applicable to the subcontractor(s) with whom the PROVIDER has entered into an agreement. Consequently, these audit requirements should be incorporated into the sub-contractual agreement entered into by the PROVIDER. The PROVIDER, not the COUNTY, shall be responsible for the receipt, review and resolution of such audits. The PROVIDER shall follow up on all findings disclosed in the audit report(s). The PROVIDER shall retain such audits for a period of time which is the greater of five (5) years after the CONTRACT expiration date, the date all questioned costs or activities have been resolved, the date of any final settlement resulting from a CONTRACT termination, the date of the final disposition of any related litigation or claim, or as required by applicable Federal laws or regulations.

When the aforementioned Federal, DEPARTMENT and COUNTY audit requirements are not applicable, the COUNTY shall have the option

to require that the PROVIDER submit an AUP REPORT where a supplemental schedule (i.e., annual, summary, and/or final report) is required in accordance with this CONTRACT. Information on the content and format of any required financial reports and/or any additional compliance requirements that the COUNTY may elect to have incorporated into the AUP REPORT are contained in the terms and conditions of this CONTRACT. The incremental cost for the preparation of the AUP REPORT and schedule(s) cannot be charged to Federal funding streams. Regardless of whether the COUNTY has exercised its option to require an AUP REPORT, the PROVIDER is required to maintain auditable records for each contract year and to provide access to such records by Federal, State and COUNTY agencies or their designees.

Where specified above, the PROVIDER is required to submit an AUP REPORT for the supplemental schedules required in connection with this CONTRACT. The AUP REPORT must be in a format and language consistent with the DEPARTMENT'S Single Audit Supplement and/or incorporate applicable DEPARTMENT regulations and CONTRACT provisions. Where an audit is also required, the AUP REPORT should be submitted as a part of the complete audit report package.

Submission of Audit Report Packages to the COUNTY

Federally Required Audit Report Package: The PROVIDER shall submit copies of the audit report package to the COUNTY within the earlier of 30 days after receipt of the audit report(s) or 120 days after the end of the audit period. The audit report package shall include:

1. Data Collection Form.
2. Financial statements, schedule of expenditures of Federal awards and notes thereto.
3. Auditor's reports on the financial statements and schedule of expenditures of Federal awards, internal control, and compliance, as well as a schedule of findings and questioned costs.
4. Summary schedule of prior audit findings.
5. Corrective action plan, if applicable.
6. Management letter comments, if applicable.
7. Supplemental schedules and AUP REPORT.
8. A copy of the most recent Peer Review Report of the certified public accounting firm that performed the audit (PEER REVIEW REPORT).

One (1) copy of the audit report package is required to be submitted to each COUNTY agency which provided Federal pass-through awards to the PROVIDER. Additionally, applicable elements of the audit report package are required to be submitted to the Federal Audit Clearinghouse.

DEPARTMENT and COUNTY Required Audit Report Packages: In the absence of a Federally required audit, one (1) copy of the financial statements that have been audited in accordance with GAGAS, the applicable auditor's reports, supplemental schedules, AUP REPORT, PEER REVIEW REPORT and, if applicable, one (1) copy of the corrective action plan and management comment letter should be submitted to each COUNTY agency that contracted with the PROVIDER within the earlier of 30 days after receipt of the audit report or 120 days after the end of the program year.

Audit Requirement Exemption Certification: If the PROVIDER is exempt from the Federal, DEPARTMENT and COUNTY audit requirements, the chief financial officer or executive of the PROVIDER shall submit a notification to the COUNTY certifying that:

1. The PROVIDER is exempt from Federal, DEPARTMENT and COUNTY audit requirements as expenditures of Federal, State and COUNTY funds are below the aforementioned thresholds.
2. The PROVIDER has complied with the terms and conditions of this CONTRACT during the program year. If a PROVIDER has not complied the terms and conditions of the CONTRACT, the PROVIDER should disclose its instances of noncompliance, a plan describing the actions that will be implemented to correct the instances of noncompliance, a timetable for implementing the planned corrective actions, a process for monitoring compliance with the timetable, and the name and phone number of the individual responsible for resolving the instances of noncompliance.

One (1) copy of the audit requirement exemption certification and any required plans, timetables, processes for monitoring compliance with the timetables and contact information shall be submitted to each COUNTY agency that contracted with the PROVIDER within 90 days after the end of the program year.

Federal, DEPARTMENT and COUNTY required audit report packages and audit requirement exemption certifications should be submitted to:

County of Northampton
Mental Health Division
Human Services Building
2801 Emrick Boulevard
Bethlehem, PA 18020-8015

Audit Services and Additional Audits

The PROVIDER is responsible for obtaining the necessary audit and securing the services of an independent, licensed certified public accountant or other independent governmental auditor in accordance with applicable Federal regulations. Those regulations preclude public accountants licensed in the Commonwealth of Pennsylvania from performing audits of Federal awards.

The COUNTY reserves the right for Federal, State and COUNTY agencies or their authorized representatives to perform additional audits of a financial and/or performance nature, if deemed necessary by COUNTY, State or Federal agencies. Any such additional audit work may rely on work already performed by the PROVIDER'S auditor, and the costs for any additional work performed by the Federal, State or COUNTY agencies will be borne by those agencies at no additional cost to the PROVIDER.

Questioned Costs

Any questioned costs identified as such in audit reports of either the PROVIDER or its subcontractors shall be returned to the cognizant Federal and/or State agencies or the COUNTY agency providing the financial assistance, unless resolved to the satisfaction of said entities.

Retention of Audit Documentation, Books, Records and Other Documents

Audit documentation and audit reports must be retained by the PROVIDER'S independent auditor for a minimum of five (5) years from the date of issuance of the audit report, unless the PROVIDER'S auditor is notified in writing by the COUNTY, State or the cognizant or oversight Federal agency to extend the retention period. Audit documentation shall be made available upon request to authorized representatives of the COUNTY, State, the cognizant or oversight Federal agency, the Federal funding agency, or the General Accounting Office. Access to audit documentation includes the right to obtain copies of such documentation as necessary.

The PROVIDER shall maintain books, records and documents of State and Federal awards and COUNTY funds that support the services provided, that the fees earned are in accordance with the CONTRACT and that the PROVIDER has complied with the CONTRACT terms and conditions. The PROVIDER agrees to make available, upon reasonable notice, at the office of the PROVIDER, during normal business hours, and for the term of this CONTRACT and the retention period set forth herein, any of the books, records and documents for inspection, audit or reproduction by any Federal, State or COUNTY agency or its authorized representative. Such Federal, State or COUNTY agency access shall extend to any books, records, and

documents that are retained by the PROVIDER in excess of the retention periods set forth herein. Additionally, such Federal, State or County access shall extend to the books, records, and documents of any other program or service available from the PROVIDER, whether or not funded, in whole or part, by the COUNTY, where such other services or activities share supportive activities and/or personnel with the services being provided pursuant to this CONTRACT.

The PROVIDER shall preserve all books, records, documents and audit report packages for a period of time which is the greater of five (5) years from the CONTRACT expiration date, until all questioned costs or activities have been resolved to the satisfaction of the COUNTY or State, or as required by applicable Federal laws and regulations. If this CONTRACT is completely or partially terminated, the records related to the work terminated shall be preserved and made available for a period of five (5) years from the date of any resulting financial settlement.

Records which relate to litigation or the settlement of claims arising out of performance or expenditures under this CONTRACT to which exception has been taken by the auditors, shall be retained by the PROVIDER or provided to the COUNTY or State at the DEPARTMENT'S or COUNTY'S option until such litigation, claim, or exceptions have reached final disposition.

Except for documentary evidence delivered pursuant to litigation or settlement of claims arising out of the performance of this CONTRACT, the PROVIDER may, in fulfillment of its obligation to retain records as required herein, substitute photographs, microphotographs, or other authentic reproductions of such records, after the expiration of the two (2) years following the last day of the month reimbursement to the PROVIDER of the invoice or voucher to which such records relate, was made, unless a shorter period is authorized by the State or COUNTY.

Period Subject to Audit

A Federally required audit made in accordance with 2 CFR Part 200 or 45 CFR Part 75.501(i), as appropriate, encompass the fiscal period of the PROVIDER. Therefore, the period of the Federally required audit may differ from the official reporting period as specified in this CONTRACT. Where these periods differ, the required supplemental schedules and AUP REPORT must be completed for the official annual reporting period of this CONTRACT which ended during the period under audit and shall accompany the Federally required audit.

Corrective Action Plan

The PROVIDER shall prepare a corrective action plan to address all findings of non-compliance or internal control weaknesses and/or

reportable conditions disclosed in the audit report. For each finding noted, the corrective action plan should include: a brief description identifying the finding; whether the PROVIDER agrees with the finding; the specific steps to be taken to correct the deficiency or specific reasons why corrective action is not necessary; a time table for completion of the corrective action steps; a description of monitoring to be performed to ensure that the steps are taken and the party responsible for the corrective action plan.

Remedies for Noncompliance With Audit Requirements

The PROVIDER'S failure to provide an acceptable audit report package or audit requirement exemption certification in accordance with the requirements herein, may result in the COUNTY not accepting the PROVIDER'S audit report package or audit requirement exemption certification and initiating sanctions against the PROVIDER, which may include, but are not limited to, the following:

1. Disallowing the cost of the audit.
2. Withholding a percentage of the CONTRACT funding pending compliance.
3. Withholding or disallowing overhead or administrative cost.
4. Suspending subsequent CONTRACT funding pending compliance.
5. Terminating this CONTRACT.
6. Suspending and/or discontinuing other contract funding which the PROVIDER may be receiving from the COUNTY.

APPENDIX C-2

AUDIT CERTIFICATION

As a PROVIDER who expends less than \$150,000 in Federal, State and COUNTY funds in this CONTRACT year, we are exempt from the Federal, State and COUNTY audit requirements.

However, should the CONTRACT be amended so that the amount payable thereunder exceeds \$150,000, or if the CONTRACT, in combination with other purchase of service CONTRACTS with other divisions of the Department of Human Services or other offices of the County of Northampton, exceeds \$150,000, an audit will be obtained.

The PROVIDER hereby certifies that it will comply with the terms and conditions of this CONTRACT, specifically including Appendix C, Audit Requirements, during the program year. If the PROVIDER does not comply with the terms and conditions of the CONTRACT, the PROVIDER will disclose its instances of noncompliance, a plan describing the actions that will be implemented to correct the instances of non-compliance, a timetable for implementing the planned corrective actions, a process for monitoring compliance with the timetable, and the name and telephone number of the individual responsible for resolving the issues of noncompliance.

It is further understood that the PROVIDER will maintain its books, records and documents in accordance with Generally Accepted Accounting Principles. The PROVIDER agrees to make available, upon reasonable notice, at its office, during normal business hours, for the term of this CONTRACT and during the retention periods specified in the CONTRACT, any of the books, records and documents pertaining to the CONTRACT for inspection by any Federal, State or COUNTY agency or its authorized representative. It is expected that this review will occur during the retention period. If it cannot be scheduled during that time frame, PROVIDER will be notified to retain such books, records and documents for a further period.

PROVIDER:

By: _____

Title: _____

Date: _____