

MassWorkforce Issuance

100 DCS 01.103

☒ **Policy** ☐ **Information**

To: Chief Elected Officials
Workforce Board Chairs
Workforce Board Directors
Title I Administrators
Career Center Directors
Title I Fiscal Officers
DCS Operations Managers

cc: WIOA State Partners

From: Alice Sweeney, Director
Department of Career Services

Date: June 7, 2016

Subject: **Single Audit Requirements**

Purpose: To notify Local Workforce Boards, One-Stop Career Center Operators, and other local workforce partners of the policy to set forth the audit requirements for Department of Career Services (DCS) subrecipients under 2 CFR 200 Subpart F – Audit Requirements.

Background: 2 CFR 200 Subpart F – Audit Requirements – is issued pursuant to the Single Audit Act Amendments of 1996, (31 U.S.C. §§ 7501-7507). It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards. These provisions also describe the policies and procedures for Federal awarding agencies and pass-through entities when using the results of these audits.

Policy: The audit requirements specified herein apply to all Federal funds provided by DCS and to all sub-awards made by a local area.

Action Required: This policy is in effect for all Federal funds provided by DCS. All Local Workforce Development Boards must ensure compliance with this policy. Please distribute copies of this policy to all appropriate individuals in your organization.

Effective: Immediately

Inquiries: Please email all questions to PolicyQA@detma.org. Also, indicate Issuance number and description.

References: 2 CFR 200, Subpart F – Audit Requirements
2 CFR 200, Appendix XI to Part 200 – Compliance Supplement
2 CFR 2900.21

AUDIT REQUIREMENTS

I. Definitions

Audit finding means deficiencies which the auditor is required to report in the schedule of findings and questioned costs.

Auditee means any non-Federal entity that expends Federal awards which must be audited under 2 CFR 200 Subpart F – Audit requirements.

Auditor means an auditor who is a public accountant or a Federal, State, local government or Indian tribe audit organization, which meets the general standards specified for external auditors in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of non-profit organizations.

CFDA number means the number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA).

CFDA program title means the title of the program under which the Federal award was funded in the CFDA.

Cluster of programs means a grouping of closely related programs that share common compliance requirements. The types of clusters of programs are research and development (R&D), student financial aid (SFA), and “other” clusters. “Other” clusters are as defined by OMB in the compliance supplement or as designated by a state for Federal awards the state provides to its subrecipients that meet the definition of a cluster of programs. A cluster of programs must be considered as one program for determining major programs.

Compliance supplement means Appendix XI to 2 CFR Part 200 – Compliance supplement (previously known as the Circular A-133 Compliance Supplement).

Contract means 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 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.

Contractor means an entity that receives a contract. Guidance on subrecipient and contractor determinations is provided in Section II of this policy.

Corrective action means action taken by an auditee area that:

- 1) Corrects identified deficiencies;
- 2) Produces recommended improvements; or
- 3) Demonstrates that audit findings are either invalid or does not warrant further action.

Federal Audit Clearinghouse (FAC) means the clearinghouse designated by OMB as the repository of record where non-Federal entities are required to transmit the required Reporting Packages. The mailing address of the FAC is Federal Audit Clearinghouse, Bureau of the

Census, 1201 E. 10th Street, Jeffersonville, IN 47132 and the web address is <http://harvester.census.gov/sac/>

Federal award means (a) the Federal financial assistance that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity; or (b) a 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. It does not include other contracts that a Federal agency uses to buy goods and services from a contractor or a contract to operate Federal Government owned, contractor operated facilities (GOCOs).

Federal awarding agency means the Federal agency that provides a Federal award directly to a non-Federal entity.

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions or donations of property (including donated surplus property), direct appropriations, food commodities, and other financial assistance. *Federal financial assistance* does not include amounts received as reimbursement for services rendered to individuals. With regard to Audit requirements, *Federal financial assistance* also includes assistance that non-Federal entities receive or administer in the form of loans, loan guarantees, interest subsidies, and insurance.

Federal program means:

- a) All Federal awards which are assigned a single number in the CFDA.
- b) When no CFDA number is assigned, all Federal awards to non-Federal entities from the same agency made for the same purpose must be combined and considered one program.
- c) Notwithstanding paragraphs (a) and (b), a cluster of programs.

Generally accepted accounting principles (GAAP) has the meaning specified in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

Generally accepted government auditing standards (GAGAS), also known as the Yellow Book, means generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits.

Internal control means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- 1) Effectiveness and efficiency of operations;
- 2) Reliability of reporting for internal and external use; and
- 3) Compliance with applicable laws and regulations.

Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- a) Transactions are properly recorded and accounted for, in order to:
 - 1) Permit the preparation of reliable financial statements and Federal reports;
 - 2) Maintain accountability over assets; and
 - 3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- b) Transactions are executed in compliance with:
 - 1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
 - 2) any other Federal statutes and regulations that are identified in the Compliance Supplement;
- c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Local government means any unit of government within a state, including a county, borough, municipality, city, town, township, parish, local public authority, special district, school district, intrastate district, council of governments, and any other agency or instrumentality of a multi-regional, intra-state, or local government.

Major program means a Federal program determined by the auditor to be a major program in accordance with 2 CFR §200.518 or a program identified as a major program by a Federal awarding agency or pass-through entity in accordance with 2 CFR §200.503.

Management decision means the evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.

Non-Federal entity means a State, local government, Indian tribe, institute of higher education (IHE), or non-profit organization that carries out a Federal award as a recipient or subrecipient.

Non-profit organization means any corporation, trust, association, cooperative, or other organization, not including IHEs, that:

- a) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;
- b) is not organized primarily for profit; and
- c) uses its net proceeds to maintain, improve, or expand the operations of the organization.

Office of Management and Budget (OMB) means the Executive Office of the President, Office of Management and Budget.

Oversight agency for audit means the Federal awarding agency that provides the predominant amount of funding directly to a non-Federal entity not assigned a cognizant agency for audit. When there is no direct funding, the Federal agency which is the predominant source of pass-through funding must assume the oversight responsibilities. The duties of the oversight agency for audit and the process for any reassignments are described in 2 CFR §200.513(b).

Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

Questioned cost means a cost that is questioned by the auditor because of an audit finding:

- a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
- b) Where the costs, at the time of the audit, are not supported by adequate documentation; or
- c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Recipient means a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out activity under a Federal program. The term recipient does not include subrecipients.

State means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and any agency or instrumentality thereof exclusive of local governments.

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. Guidance on subrecipient and contractor determinations is provided in Section II of this policy.

II. Subrecipient and Contractor Determinations

The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

- a) *Subrecipients.* A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

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

- 2) Has its performance measured in relation to whether objectives of a Federal program were met;
 - 3) Has responsibility for programmatic decision making;
 - 4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
 - 5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.
- b) *Contractors.* A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:
- 1) Provides the goods and services within normal business operations;
 - 2) Provides similar goods or services to many different purchasers;
 - 3) Normally 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 as a result of the agreement, though similar requirements may apply for other reasons.
- c) *Use of judgment in making determination.* In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

III. Audit Requirements

- a) *Audit required.* Each DCS subrecipient and each local area subrecipient that expends \$750,000 or more in Federal awards during the subrecipient's fiscal year, must have a single audit or a program-specific audit conducted for that year in accordance with 2 CFR 200 Subpart F.
- b) *Program-specific audit election.* When a subrecipient expends Federal awards under only one Federal program (excluding Research & Development) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not

require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted in accordance with 2 CFR §200.507.

- c) *Exemption when Federal awards expended are less than \$750,000.* A non-Federal entity that expends less than \$750,000 in Federal awards during the non-Federal entity's fiscal year is exempt from Federal audit requirements for that year, but records must be available for review or audit by appropriate officials of the Federal agency, pass-through agency, and Government Accountability Office (GAO).
- d) *Subrecipients and contractors.* An auditee may simultaneously be a recipient, a subrecipient, and a contractor. Federal awards expended as a recipient or a subrecipient are subject to audit. Payments received for goods or services provided by a contractor are not subject to audit. Guidance on subrecipient and contractor determinations is provided in Section II of this policy.
- e) *Compliance responsibility for contractors.* 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 the grant.
- f) *For-profit subrecipient.* The pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The agreement with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits.

IV. Basis for Determining Federal Awards Expended

- a) *Determining Federal awards expended.* The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; 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 use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.

- b) *Loan and loan guarantees (loans).* Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:
 - 1) Value of new loans made or received during the audit period; plus
 - 2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus
 - 3) Any interest subsidy, cash, or administrative cost allowance received.
- c) *Loan and loan guarantees (loans) at IHEs.* When loans are made to students of an IHE but the IHE does not make the loans, then only the value of loans made during the audit period must be considered Federal awards expended in that audit period. The balance of loans for previous audit periods is not included as Federal awards expended because the lender accounts for the prior balances.
- d) *Prior loan and loan guarantees (loans).* Loans, the proceeds of which were received and expended in prior years, are not considered Federal awards expended under this part when the Federal statutes, regulations, and the terms and conditions of Federal awards pertaining to such loans impose no continuing compliance requirements other than to repay the loans.
- e) *Endowment funds.* The cumulative balance of Federal awards for endowment funds that are federally restricted are considered Federal awards expended in each audit period in which the funds are still restricted.
- f) *Free rent.* Free rent received by itself is not considered a Federal award expended under this part. However, free rent received as part of a Federal award to carry out a Federal program must be included in determining Federal awards expended and subject to audit under this part.
- g) *Valuing non-cash assistance.* Federal non-cash assistance, such as free rent, food commodities, donated property, or donated surplus property, must be valued at fair market value at the time of receipt or the assessed value provided by the Federal agency.
- h) *Certain loans provided by the National Credit Union Administration.* For purposes of this part, loans made from the National Credit Union Share Insurance Fund and the Central Liquidity Facility that are funded by contributions from insured non-Federal entities are not considered Federal awards expended.

V. Relation to Other Audit Requirements

- a) An audit conducted in accordance with 2 CFR 200 Subpart F must be in lieu of any financial audit of Federal awards which a non-Federal entity is required to undergo under any other Federal statute or regulation.
- b) Notwithstanding the above, a Federal agency, Inspectors General, or GAO may conduct or arrange for additional audits which are necessary to carry out its responsibilities under

Federal statute or regulation. These provisions do not authorize any non-Federal entity to constrain, in any manner, such Federal agency from carrying out or arranging for such additional audits, except that the Federal agency must plan such audits to not be duplicative of other audits of Federal awards. Prior to commencing such an audit, the Federal agency or pass-through entity must review the FAC for recent audits submitted by the non-Federal entity. Any additional audits must be planned and performed in such a way as to build upon work performed by other auditors.

- c) *Federal agency to pay for additional audits.* A Federal agency that conducts or arranges for additional audits must, consistent with other applicable Federal statutes and regulations, arrange for funding the full cost of such additional audits.
- d) *Request for a program to be audited as a major program.* DCS may request that a local area have a particular Federal program audited as a major program. The request should be made at least 180 calendar days prior to the end of the fiscal year to be audited. The local area, after consultation with its auditor, should promptly respond to such a request by informing DCS whether the program would otherwise be audited as a major program using the risk-based audit approach described in 2 CFR §200.518, and if not, the estimated incremental cost. DCS will then promptly confirm to the local area whether it wants the program audited as a major program. If the program is to be audited as a major program based on DCS' request, and DCS agrees to pay the full incremental costs, then the local area must have the program audited as a major program.

VI. Sanctions

In cases of continued inability or unwillingness to have a single audit conducted in accordance with 2 CFR Subpart F, DCS must take appropriate action, which may include one or more of the following actions:

- a) Temporarily withhold cash payments
- b) Disallow all or part of the use of funds and any applicable matching funds
- c) Wholly or partially suspend or terminate the Federal award
- d) Recommend suspension or debarment proceedings to be initiated by a Federal awarding agency
- e) Withhold further Federal awards for the project or program
- f) Other remedies that may be legally available

VII. Frequency of Audits

Audits must be performed annually when Federal award expenditures are \$750,000 or more, unless one of the following exceptions applies:

- a) A state, local government, or Indian tribe that is required by constitution or statute in effect on January 1, 1987, to undergo its audits less frequently than annually. These entities may have biennial audits, provided that the requirement is still in effect during the biennial period.

- b) A non-profit organization that had biennial audits for all biennial periods ending between July 1, 1992 and January 1, 1995, is permitted to undergo its audits biennially.

VIII. Audit Costs

- a) A reasonably proportionate share of the costs of required audits are allowable. However, the following audit costs are unallowable:
 - 1) Any costs when required audits have not been conducted or have been conducted in a manner that is not in accordance with 2 CFR Subpart F; and
 - 2) The costs of a financial statement audit of a non-Federal entity that is exempted from having a single audit conducted.
- b) The costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.
- c) Pass-through entities may charge Federal awards for the cost of agreed-upon engagements to monitor subrecipients who are exempted from the single audit requirements. The cost is allowable only if the agreed-upon procedures engagements are:
 - 1) Conducted in accordance with GAGAS attestation standards;
 - 2) Paid for and arranged by the pass-through entity; and
 - 3) Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

IX. Local Area Responsibilities

Each local area is required to:

- a) Procure or otherwise arrange for the audit and ensure that the audit is properly performed and submitted when due.
- b) Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards.
- c) 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 for current year findings.
- d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit.

X. Auditor Selection

Auditor procurement. In procuring audit services, the local area must follow the procurement standards in 2 CFR §§200.317-200.326. When procuring audit services, the objective is to obtain high-quality audits. In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the non-Federal entity must request a copy of the audit organization's peer review report, which the auditor is required to provide under GAGAS. Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. Whenever possible, positive efforts must be made to utilize small businesses, minority-owned firms, and women's business enterprises.

Municipalities and units of local government who follow M.G.L. Chapter 30B are not required to procure the services of a Certified Public Account (CPA) to conduct the Single Audit.

XI. Financial Statements

- a) *Financial statements.* The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.
- b) *Schedule of Expenditures of Federal Awards.* The auditee must also prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information in a manner that will make the Schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately.
- c) At a minimum, the Schedule of Expenditures of Federal Awards must:
 - 1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster, and provide the applicable Federal agency name.
 - 2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
 - 3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs, also provide the total for the cluster.
 - 4) Include the total amount provided to subrecipients from each Federal program.

- 5) Include notes that describe the significant accounting policies used in preparing the Schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate.

XII. Audit Findings Follow-up

- a) *General.* The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings, as well as a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to the findings. It must also include the fiscal year in which the finding initially occurred. The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements.
- b) *Summary schedule of prior audit findings.* The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings, unless the audit finding was listed as corrected or no longer valid or not warranting further action.
 - 1) If audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.
 - 2) If audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. If the corrective action taken is significantly different from the corrective action reported in a previous correction plan or in the management decision letter, the summary schedule must provide an explanation.
 - 3) If the auditee believes an audit finding is no longer valid or does not warrant further action, the reasons for this position must be described in the summary schedule. In order to consider an audit finding as not warranting further action, all of the following must have occurred:
 - i) Two years have passed since the audit report in which the finding occurred was submitted to the FAC;
 - ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and
 - iii) A management decision was not issued.
- c) *Corrective action plan.* The auditee must prepare, in a document separate from the auditor's findings, a corrective action plan to address each audit finding included in the current year audit report. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the

anticipated completion date. If the auditee does not agree with the audit findings or believes correction action is not required, then the corrective action plan must include an explanation and specific reasons.

XIII. Report Submission

a) General.

- 1) The audit must be completed and the Data Collection Form (described in paragraph (b) of this section) and the Reporting Package (described in paragraph (c) of this section) must be 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. If the due date falls on a weekend or a holiday, the Reporting Package is due the next business day.
- 2) Unless restricted by Federal statutes or regulations, 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.

b) Data collection. The FAC is the repository of record for audit Reporting Packages and the Data Collection Form. All Federal agencies, pass-through entities, and others interested in a Reporting Package and the Data Collection Form must obtain it by accessing the FAC.

NOTE: For audits periods ending June 30, 2015, local areas will need to send a copy of their financial statements to DCS, as the financial statement portion of the audit cannot be obtained from the FAC website for that period.

- 1) The Data Collection Form SF-SAC is available on the FAC Web site. The auditee must submit required data elements on the Data Collection Form. A senior-level representative of the auditee must sign a statement to be included as part of the data collection that says the auditee complied with audit requirements, the Reporting Package does not include protected personally identifiable information, the information included in its entirety is accurate and complete, and that the FAC is authorized to make the Reporting Package and the form publically available on a Web site.
- 2) *Exception for Indian tribes and Tribal Organizations.* An auditee that is an Indian tribe or a tribal organization may opt not to authorize the FAC to make the reporting package publically available on a Web site, by excluding the authorization for the FAC publication. If this option is exercised, the auditee becomes responsible for submitting the Reporting Package directly to any pass-through entity from which it has received a Federal award and to pass-through entities for which the summary schedule of prior audit findings reported the status of any findings related to Federal awards that the pass-through entity provided.

- c) *Reporting package.* The Reporting Package must include the:
 - 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 for current audit findings.
- d) *Submission to FAC.* The auditee must electronically submit the Data Collection Form and the Reporting Package to the FAC.
- e) *Requests for management letters.* In response to requests by a Federal agency or pass-through entity, auditees must submit a copy of any management letters issued by the auditor. All local areas will submit a copy of the management letter to DCS, if one has been issued by the auditor.
- f) *Report retention requirements.* One copy of the Data Collection Form and one copy of the Reporting Package must be kept on file for three years from the date of submission to the FAC.

XIV. Management Decision

- a) *General.* DCS will issue a management decision letter for all local area single audits. The management decision will indicate whether or not any audit findings relate to Federal funds passed through DCS. For findings related to DCS Federal awards, the management decision will 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 auditee has not completed corrective action, a time table for follow-up will be given. The management decision should describe any appeal process available to the auditee.
- b) *Pass-through entity.* Pass-through entities are responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- c) *Time requirements.* A management decision must be issued by a pass-through entity within twelve months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.
- d) *Reference numbers.* Management decisions must include the reference number(s) the auditor assigned to each audit finding.