

## DHHS POLICIES AND PROCEDURES

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<b>Section II:</b>	<b>Budget and Analysis</b>
<b>Title:</b>	<b>Audit Resolution for Local Government and Non-governmental Agencies</b>
<b>Current Effective Date:</b>	<b>7/10/06</b>
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### Purpose

The purpose of this policy is to reiterate the reporting and audit requirements for governmental and non-governmental agencies receiving financial assistance and to set forth the Department of Health and Human Services (DHHS) requirements and procedures for resolution of audit findings and other audit issues.

### Policy

1. Local government agencies that receive federal financial assistance must file single audits that comply with the requirements in G.S. 159-34 and OMB Circular A-133. The Local Government Commission (LGC) in the North Carolina (NC) Department of the State Treasurer has audit oversight for all local government agencies. The LGC forwards a copy of each approved single audit report to the DHHS Controller's Office for review and resolution of findings of noncompliance and/or internal control issues that impact on programs of financial assistance administered by the department.
  
2. Non-governmental providers receiving financial assistance must file annual financial reports of their receipts and expenditures that comply with the requirements in G.S. 143-6.2 and OMB circular A-133, if applicable. The level of expenditures determines what type of financial report must be filed. Refer to the table below to determine what type of financial report is required based on the level of expenditures.

Annual Expenditures	Report Required	Due Date	To Whom
\$1 - \$24,999 used or expended during a fiscal year.	Certification and State Grants Compliance Reporting < \$25,000.	Annually, six (6) months after end of provider fiscal year.	DHHS Controller's Office, Audit Resolution and Monitoring Branch.

\$25,000 - \$499,999 used or expended during a fiscal year.	Certification; State Grants Compliance Reporting $\geq$ \$25,000; Schedule of Grantee Receipts and Expenditures Report; and Program Activities and Accomplishments.	Annually, six (6) months after end of provider fiscal year.	DHHS Controller's Office, Audit Resolution and Monitoring Branch.
\$500,000 or more in state funds received and expended during a fiscal year. Includes federal pass through funds of which federal expenditures are less than \$500,000.	Certification; State Grants Compliance Reporting $\geq$ \$25,000; Audited Financial Statement in compliance with GAO/GAS (with Schedule of Federal and State Awards); and Program Activities and Accomplishments.	Annually, but no later than nine (9) months after end of provider fiscal year.	State Auditor and DHHS Controller's Office, Audit Resolution and Monitoring Branch.
\$500,000 or more in state funds received and expended during a fiscal year. Includes federal pass through funds of which federal expenditures are \$500,000 or greater.	Certification; State Grants Compliance Reporting $\geq$ \$25,000; Audited Financial Statement in compliance with OMB Circular A-133 (with Schedule of Federal and State Awards); and Program Activities and Accomplishments.	Annually, but no later than nine months after end of provider fiscal year.	State Auditor and DHHS Controller's Office, Audit Resolution and Monitoring Branch.

3. The DHHS controller is responsible for the resolution of financial audits and has lead responsibility for resolution of audits that cover both financial and program compliance.
4. The DHHS division/facility/school directors are responsible for resolution of findings that involve program compliance for programs of financial assistance administered by their respective divisions/offices.
5. The controller of the DHHS is the department's liaison with the state auditor, the local government commission, and the certified public accountant firm as may be necessary in establishing policies and procedures for audits and audit resolutions.

6. The division/facility/school director must formulate a position on any program compliance issue and forward to the DHHS controller within 30 days after receipt of the audit finding. Any issues noted must be included in the division's monitoring plan.
7. If an audit from a non-governmental entity does not contain a corrective action plan that addresses corrective action, the DHHS controller must send a written request for a corrective action plan to the executive director of the entity.
8. For a non-governmental entity, a final determination letter outlining the department's position on the corrective action plan must be sent to the non-governmental entity within 180 days of the receipt of the original audit or the revised corrective action plan.
9. For local government single audits, a final determination letter outlining the department's position on the corrective action plan must be sent to the local agency within 180 days of the receipt of the audit.
10. When an acceptable corrective action plan and/or payback of disallowed costs (if any) are received, the DHHS controller's office issues a letter indicating that the department considers the audit as closed.

## **Implementation**

1. The DHHS controller will develop procedures to ensure that the controller's office reviews and acts upon audit findings and issues within the specified time frames.
2. Each division/facility/school director will develop procedures to ensure that staff review audit findings in a timely manner and include any issues in the monitoring plans.
3. Any problems or concerns noted by a division/office director resulting from an audit must be put in writing to the DHHS controller. The DHHS controller will work with the appropriate groups to resolve any problems with the audits.
4. If a division/facility/school director becomes aware of problems or concerns regarding an audit issue or finding, the director must contact the DHHS controller.

*For questions or clarification on any of the information contained in this policy, please contact the [Office of the DHHS Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).*