

ATTACHMENT A

SUBRECIPIENT / CONTRACTOR AUDITS

AUDIT CLAUSE D – CONTRACTOR

The Commonwealth of Pennsylvania, Department of Human Services (DHS), distributes federal and state funds to local governments, nonprofit, and for-profit organizations. Federal expenditures are subject to federal audit requirements, and federal funding and state funding passed through DHS are subject to DHS audit requirements. Any federal statute prescribing specific policies or specific requirements that differ from the standards provided herein shall govern.

Contractor means a dealer, distributor, merchant, or other seller providing goods or services to an entity that are required for the **administrative support** of a program. These goods or services may be for an organization's own use or for the use of beneficiaries of the federal program. The contractor's responsibility is to meet the requirements of the procurement contract (see 2 CFR Part 200 § 200.23). For purposes of this audit clause, a contractor **is not** a subrecipient as defined in 2 CFR Part 200 § 200.93.

DHS Audit Requirements

If in connection with the agreement, the contractor **expends \$500,000 or more in combined state and federal funds** during the program year, the contractor shall, for the term of the contract, engage an independent auditor that conducts annual examinations of its compliance with the terms and conditions of this contract (compliance attestations). These examinations shall be conducted in accordance with the American Institute of Certified Public Accountants' Statements on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification (SSAE 18) and shall be of a scope acceptable to DHS. The initial compliance attestation shall be completed for the official annual reporting period of this agreement and conducted annually thereafter.

DHS, other state agencies, and federal agencies, or their authorized representatives, may perform financial and performance audits. If an audit of this contract is to be performed, the contractor will be given advance notice. The contractor shall maintain books, records, and documents that support the services provided, that the fees earned are in accordance with the contract, and that the contractor has complied with contract terms and conditions. The contractor shall make available, upon reasonable notice, at the office of the contractor, during normal business hours, for the term of this contract and the retention period set forth in this Audit Clause, any of the books, records, and documents for inspection, audit, or reproduction by any state or federal agency or its authorized representative.

Except when a longer period is stated in the contract, the contractor shall preserve all books, records, and documents related to this contract for a period of time that is the greater of five years from the contract expiration date, until all questioned costs or activities have been resolved to the satisfaction of DHS, or as required by applicable federal laws and regulations. If this contract is completely or partially terminated, contractor shall preserve the records relating to the work terminated and make available for a period of five years from the date of any resulting final settlement.

The contractor shall retain and shall make available or provide to DHS at DHS's option those records that relate to litigation or the settlement of claims arising out of performance or expenditures under the contract until such litigation, claim, or exceptions have reached final disposition.

SUBRECIPIENT / CONTRACTOR AUDITS

AUDIT CLAUSE D – CONTRACTOR

Except for documentary evidence delivered pursuant to litigation or the settlement of claims arising out of the performance of this contract, the contractor may retain records as required by this Audit Clause using photographs, microphotographs, or other authentic reproductions of such records, after the expiration of two years following the last day of the month of reimbursement to the contractor of the invoice or voucher to which such records relate, unless a shorter period is authorized by DHS.

DHS Required Compliance Attestation Report Submission

The contractor shall submit the compliance attestation report to the DHS within 90 days after the required period of audit has ended. When the compliance attestation report is other than unmodified, the contractor shall submit to DHS, in addition to the report, a plan describing what actions the contractor shall implement to correct the situation that caused the independent accountant to issue a modified opinion, a timetable for implementing the planned corrective actions and a process for monitoring compliance with the timetable, and the contact person who is responsible for resolution

The contractor shall submit **two copies** of the compliance attestation reports directly to the contract manager.

REMEDIES FOR NONCOMPLIANCE

The contractor's failure to provide an acceptable compliance attestation may result in the DHS not accepting the report and initiating actions against the contractor that may include the following:

- Disallowing the cost of the compliance attestation.
- Withholding a percentage of the contract funding pending compliance.
- Suspending subsequent contract funding pending compliance.
- Requiring a corrective action plan.
- Terminating the contract if the failure is not corrected within the time period approved by DHS.
- Assessing liquidated damages up to the amount of \$100 for each calendar day and portion of each calendar day for which the compliance attestation report, was submitted beyond its required due date.

SUBRECIPIENT / CONTRACTOR AUDITS

AUDIT CLAUSE D – CONTRACTOR

TECHNICAL ASSISTANCE

Technical assistance on the DHS' audit requirements will be provided by:

Department of Human Services
Bureau of Financial Operations
Division of Audit and Review
Audit Resolution Section
1st Floor, Forum Place
555 Walnut Street
P.O. Box 2675
Harrisburg, Pennsylvania 17105-2675
Email: RA-pwauditresolution@pa.gov