**Section 500.1540 Records and Audits**

a) Retention of Books and Records

1) Books and records that relate to performance of a State contract, including subcontracts, and that support amounts charged to the State, shall be maintained:

A) by a contractor, for a period of three years from the later of the date of final payment under the prime contract or completion of the contract;

B) by a subcontractor, for a period of three years from the later of the date of final payment under the subcontract or completion of the subcontract; and

C) by a contractor and subcontractor for such longer period of time as is necessary to complete ongoing or announced audits. The three year period shall be extended for the duration of any audit in progress at the time of that period's expiration.

2) Failure to maintain the books and records required by this Section shall establish a presumption in favor of the State for the recovery of any funds paid by the State for which required books and records are not available.

b) Contract Audit

1) Types of Contracts Audited. The type of contract under which books and records should be audited is that in which price is based on costs or is subject to adjustment based on costs, or that in which auditing would be appropriate to assure satisfactory performance, such as a time and material contract.

2) Situations in which an audit may be warranted include but are not limited to when a question arises in connection with:

A) the financial condition, integrity, and reliability of the contractor or subcontractor;

B) any prior audit experience;

C) the adequacy of the contractor's or subcontractor's accounting system;

D) the number or nature of invoices or reimbursement vouchers submitted by the contractor or subcontractor for payment;

E) the use of federal assistance funds;

F) the fluctuation of market prices affecting the contract; or

G) any other situation when the Procurement Officer finds that such an audit is necessary for the protection of the State's best interest.

(Source: Amended at 35 Ill. Reg. 5307, effective April 1, 2011)