**Section 1.130 Audits**

a) In compliance with Section 1745(a) of P.L. 97-35 (31 U.S.C. 1243), the Department shall have prepared an annual independent financial and compliance audit of its Community Development Assistance Program, Illinois Home Energy Assistance Program, and Community Service Block Grant Program (CSBG) grants, and Neighborhood Corps Program grants supported by CSBG funds.

b) Grantees who are subject to the Single Audit Act of 1984 (31 U.S.C. 7501-7507) and OMB Circular A-128: Audits of State and Local Governments (50 FR 19114, May 6, 1985) must comply with the provisions of same.

c) Grantees intending to procure and manage a financial and compliance audit of their grant, must inform the Department in writing during the first quarter of the grant period. The Grantee must set aside grant funds to support such audit; the Department will not reserve funds for the purpose of auditing a grant for which the grantee has indicated it will procure and manage an audit. If the Grantee fails to have an audit performed within one year from the end of its fiscal year, the Department will withhold current grant funds from the Grantee until previous audit commitments have been met.

d) The following requirements will apply to financial and compliance audits procured and managed by the Department.

1) The Department will procure and manage the audit of grants, except in the case where the Grantee is conducting the audit in accordance with subsection (c) or an audit is conducted as a mandatory requirement of a federal OMB Circular. Such audits will satisfy the Department's audit requirements where grant activities are included in the audits and the audits are performed and the reports prepared per federal and state requirements.

2) The Department will make payment for audits of Illinois Home Energy Assistance Program grants. The CSBG Grantee will make payment for audits of CSBG grants and Neighborhood Corps Programs administered through CSBG grantees.

3) Audits of appropriate program records must be performed by an independent public accountant, certified and licensed by authority of the State of Illinois. The audit must be conducted in accordance with generally accepted government auditing standards adopted by the AICPA (1981).

4) When audits are procured by the Department, the Grantee will:

A) work cooperatively with the audit firm selected;

B) actively work with both the audit firm and the Department to resolve any and all audit findings; and

C) work cooperatively with the Department's staff in preparing for, conducting, and resolving audits.

e) The following requirements will apply to a Grantee which procures the financial and compliance audit of its grant(s).

1) The Grantee shall be responsible for having an annual audit of all grant records and such audit must be performed by an independent public accountant, certified and licensed by authority of the State of Illinois. The Audit must be conducted in accordance with generally accepted government auditing standards adopted by the AICPA (1981).

2) The Grantee may secure an independent audit of its grant in the same manner as it secures its regular audits, provided it provides for maximum open and free competition. The grant audit should be conducted as part of the Grantee's annual audit. Where federal funds are to be audited the Grantee must procure the audit firm in compliance with Appendix A, Attachment O of this Part.

3) That portion of the Grantee's annual audit which addresses grant activities shall be paid for by the Grantee with grant funds.

4) The Grantee will provide the Department with 6 copies of its annual audit which addresses Department grant(s). In instances where the grant period or term does not coincide with the Grantee's fiscal year, two fiscal audit reports shall be forwarded to the Department.

f) The Department's audit resolution process is as follows:

1) Upon receipt of an audit, Department staff review the audit to assure it is complete (i.e., required information in accordance with generally accepted government auditing standards and contractual requirements with the audit firm such as Statement of Revenues and Expenditures, report on internal control, report on compliance, audit concurrence which is written correspondence from the grantee stating that it agrees with the contents of the audit report, findings, recommendations and responses, and auditors opinion on the financial statement) and accurate as evidenced through a verification of any mathematical calculations contained in the audit. If the audit is incomplete or inaccurate, the audit firm is contacted in writing and required to submit necessary additional/revised information.

2) If all audit findings are resolved (i.e. the grantee repays any misspent funds and/or the grantee has taken corrective action to ensure that the problems/findings are corrected), a final determination letter is transmitted to the grantee and indicates:

A) the Department has accepted grantee's responses to any audit findings as contained in the audit report;

B) procedures governing the grantee's remittance of any grant funds on hand and due to the Department;

C) the Federal grantor agency has final authority relative to the allowability of costs for funds audited and the Department reserves the right to obtain any resultant reimbursement from the grantee; and

D) the decision to disallow certain questioned costs is subject to the appeal provisions of 47 Ill. Adm. Code 10 (Review and Appeal Procedures).

3) If the audit contains unresolved findings, the Department transmits a certified letter to the grantee requesting written response to audit findings within thirty (30) days.

A) If the grantee fails to respond within thirty (30) days, a final determination letter is transmitted to the grantee disallowing any costs associated with audit findings and demanding reimbursement to the Department for such costs within thirty (30) days. Formal debt collection procedures are then initiated if funds are not received by final date payment is due.

B) Upon receipt of grantee's response, an initial determination letter is transmitted indicating any responses to audit findings which were accepted by the Department and requiring payment of funds due to the Department within thirty (30) days. The grantees's failure to remit funds, as required, to the Department results in transmittal of a final determination letter to the grantee demanding payment within thirty (30) days. If reimbursement to the Department is not received within required time frame, a first demand letter requiring payment within ten (10) days is transmitted to the grantee. If payment again is not received by date due, a second demand letter stating that legal action will be initiated if payment is not received within the required time frame is transmitted to the grantee. Failure of grantee to comply within ten (10) days will result in Department initiating formal debt collection procedures.

g) The Department reserves the right to conduct special audits, including but not limited to an agency-wide audit, at any time during normal working hours of funds expended under Department grants.

h) Any independent public accounting firm that provides consulting services to a Grantee is prohibited from conducting an audit of that Grantee for the program year during which services were rendered.

(Source: Amended at 13 Ill. Reg. 20321, effective December 15, 1989)