**Section 507.10 Audit Requirements**

a) Based on the specific requirements of subsection (b) or (c), whichever applies, each Provider receiving purchase of service or grant contract funding from the Department of Human Services (Department) shall annually submit to the Department a Financial Summary, Personnel/Administrative Information, independent audit report, revenue and expense data in a form prescribed by the Department, and/or a Grant Report to enable the Department to perform fiscal monitoring and to account for the usage of funds paid to the Provider under Agreements with the Department. The information necessary to complete these reports must be obtained from the Provider's accounting records. These reports must be maintained on any generally accepted accounting principles (GAAP) basis or adjusted to report on any GAAP basis. Providers subject to these requirements shall be notified by registered or certified letter no later than May 31 of the year of the contract. This letter shall contain detailed instructions related to the Financial Summary, Personnel/Administrative Information, independent audit requirements, and Grant Report, including provisions for requesting waivers, modifications and filing extensions.

b) If the Provider's combined purchase of service or grant contract funding for Department programs is less than $500,000 and/or the Department performs rate calculations or expense and revenue analysis, the Provider will be required to submit revenue and expense data in a form prescribed by the Department. Copies shall be filed with the Department's Office of Contract Administration as directed in the registered or certified letter referenced in subsection (a). The report shall be submitted within 120 days after the end of the Provider's fiscal year. If any of the programs are grants the Provider will be required to submit a Grant Report.

c) If the Provider's combined purchase of service or grant contract funding for Department programs is $500,000 or more and/or the Department performs rate calculations or expense and revenue analysis, the Provider shall be required to submit revenue and expense data in a form prescribed by the Department. If any of the programs are grants the Provider will be required to submit a Grant Report. All Providers with a combined purchase of service or grant funding for Department programs of $500,000 or more are required to submit an independent audit report, the basic requirements are:

1) The audit shall be conducted by a Certified Public Accountant or Certified Public Accounting Firm licensed in the State of Illinois;

2) The audit report shall include the financial statements prescribed by the Financial Accounting Standards Board for Not-For-Profit Organizations, or the Governmental Accounting Standards Board for Governmental Entities, as appropriate;

3) The audits shall be conducted in accord with the "single audit" requirements and standards when the Provider receives or expends Federal funds that cumulatively exceed the Federal threshold. These requirements are detailed in Federal OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" (2003, no later amendments or editions included) (Financial Standards and Reporting Branch, Office of Federal Financial Management, Office of Management and Budget, 725 17th Street, NW, Washington, DC 20503); and

4) The report shall be submitted within 120 days after the end of the Provider's fiscal year. Two copies of any reports prepared in accordance with Federal OMB Circular A-133 shall be filed with the Department's Office of Contract Administration. Any request for an extension of time to file an independent audit report, Financial Summary, Personnel/Administrative Information, Grant Report or supplemental revenue and expense data shall be submitted to the Department's Manager of the Office of Contract Administration. The Manager of the Office of Contract Administration shall respond in writing to each such request within 14 days after it is received by the Office of Contract Administration.

d) A request for exception to the audit requirements prescribed in this Section shall be submitted to the Department's Manager of the Office of Contract Administration. Such requests shall be approved only when convincingly justified. The Department's Manager of the Office of Contract Administration shall respond in writing to each request for exception within 14 days after it is received by the Office of Contract Administration.

e) Audit requirements may be waived by the Manager of the Office of Contract Administration when it is deemed to be in the interest of the State of Illinois or when it enhances the operating efficiency of the State. A written determination for the waiver shall be maintained by the Office of Contract Administration.

f) Failure to meet the audit requirements contained in this Section shall result in the suspension of funding.

(Source: Amended at 28 Ill. Reg. 7535, effective May 17, 2004)