



NEW JERSEY DEPARTMENT
OF CHILDREN AND FAMILIES

New Jersey Department of Children and Families Policy Manual

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Subchapter:	7	Contract Close Out and Audit Information	Date: 03/02/20
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Purpose:

This issuance establishes policy and procedure related to the audit requirements of Provider Agencies of the Department of Children and Families (Department).

This policy applies to non-profit and for-profit Provider Agencies with cost reimbursement or fee for service Contracts with the Department. This policy also applies to those entities performing subcontracted services for these Provider Agencies.

Authority:

- [Title 2: Grants and Agreements, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) (Uniform Guidance Subpart F)
- Procurement Standards in the Uniform Guidance Subpart D- Post Federal Award Requirements of FAR (48 C.F.R. Part 42)
- The Federal Office of Management and Budget (OMB)
- General Services Administration (GSA) – Assistance Listings formerly known as the *Catalog of Federal Domestic Assistance* (CFDA). A searchable copy of Assistance Listings and a pdf version are available through the Internet on the GSA Home Page (<https://beta.sam.gov/>). Note that, if the CFDA indicates under a program entry (Post Assistance Requirements – Audit) that audit is “Not Applicable” or the program is not subject to 2 CFR part 200, the Auditor should contact the Federal agency single audit office/official indicated in Appendix III of the Supplement.

- Government Accountability Office (GAO) – Generally Accepted Government Auditing Standards (GAGAS), December 2011 Revision (GAO-12-331G) (<http://www.gao.gov/yellowbook>)
- Inspectors General - The Council of the Inspectors General on Integrity and Efficiency Home Page (<http://www.ignet.gov>) contains an Inspector General Directory and the Inspector General Act.
- Federal Audit Clearinghouse - The Federal Audit Clearinghouse acts as an agent for OMB to:
 - Establish and maintain a government wide database of single audit results and related federal Award information;
 - Serve as the federal repository for single audit reports; and
 - Distribute single audit reports to federal agencies.
(<https://harvester.census.gov/facweb>).
- For Data Collection Form (SF-SAC) and single audit submission questions, contact the Federal Audit Clearinghouse by e-mail (govs.fac.ides@census.gov)
- New Jersey Department of Treasury, Office of Management and Budget, Circular Letter 15-08-OMB (http://www.state.nj.us/infobank/circular/cir1508_omb.pdf)
- State Grant Compliance Supplement: (<https://www.state.nj.us/treasury/omb/stategrant.shtml>)
(Note that DCF Providers may refer to the Department of Human Services section for information about the relevant compliance requirements of the Federal Government).
- Section 6.3 of the Department's Contract Reimbursement Manual(<https://nj.gov/dcf/documents/contract/manuals/CRM6.pdf>)
- Section 3.13 Audit of the Standard Language Document (<https://nj.gov/dcf/documents/contract/forms/StandardLanguage.doc>)

Policy:

A. When it is the State Cognizant Department, the Department shall ensure:

1. **Non-profit** Provider Agencies, that expend within their fiscal year aggregated federal or state financial assistance from cost reimbursement contracts of \$750,000 or greater, submit:

- a) Annual single audits or program-specific audits performed in accordance with the Uniform Guidance Subpart F.
2. **Non-profit** Provider Agencies that expend within their fiscal year aggregated federal or state financial assistance from cost reimbursement contracts of \$100,000 or greater but less than \$750,000, submit either:
 - a) Annual financial statement audits performed in accordance with Government Auditing Standards (Yellow Book); or
 - b) Program-specific audits performed in accordance with the Uniform Guidance Subpart F.
3. **For-profit** provider agencies, that expend within their fiscal year aggregated federal or state financial assistance from cost reimbursement contracts of \$100,000 or greater, submit either:
 - a) Annual financial statement audits performed in accordance with Government Auditing Standards (Yellow Book); or
 - b) Annual program specific audits performed in accordance with the Uniform Guidance Subpart.
4. **Non-profit and for-profit** Provider Agencies may elect to submit annual program specific audits performed in accordance with Uniform Guidance, Subpart F, if they expend federal or State financial assistance under only **one** federal or State program and the federal or State program's statutes, regulations, or terms and conditions of the grant Award do not require financial statement audits of them.

B. When the Department is not the State Cognizant Department, it shall ensure:

1. **Non-profit and for-profit** Provider Agencies submit to the Department a copy of the annual audit required by the State Cognizant Department.

C. When the Department is not the State Cognizant Department, and the State Cognizant Department finds an audit is not required by either the Uniform Guidance Subpart F or the Circular Letter 15-08-OMB, then in accordance with Section 3.13 of the Standard Language Document it may require, in its sole discretion:

1. **Non-profit and for-profit** Provider Agencies with cost reimbursement or fee for service contracted programs, that expend within their fiscal year any amount of federal or State financial assistance from all sources, including Medicaid payments for providing services to Medicaid-eligible individuals, to submit one of the following:
 - a) Annual program specific audit performed in accordance with the Uniform Guidance Subpart F for each program providing services under a New Jersey Contract; or
 - b) An annual financial statement audit of the organization performed in accordance with Government Auditing Standards (Yellow Book); or
 - c) An annual financial statement audit of the organization performed in accordance with generally accepted auditing procedures, and the auditor's report.
 - d) Financial statements that include at least an income statement, and cash flow statement or balance sheet, prepared in accordance with generally accepted accounting principles and reviewed by an independent certified public accountant to determine the need for any material modifications and to attest to the accuracy of the reviewed information.
2. **Non-profit and for-profit** Provider Agencies, and their assignees or Subcontractors, submit their appropriate audits when requested at any time during the Contract term, or up to four years after the Termination or expiration of the contract, and that audits started before the end of the four-year period will continue until they are completed and resolved.

Procedures:

A. Provider Agency:

1. The Provider Agency shall complete a Notification of Licensed Public Accountant (NLPA) form when it expends within their fiscal year federal or State financial assistance of \$100,000 or greater. ([Attachment 1.](#))
2. The Provider Agency shall have their audit conducted by Licensed Certified Public Accountant(s) (CPA) or employees of a licensed CPA firm.
3. In procuring audit services, the Provider Agency shall follow the Procurement Standards in the Uniform Guidance Subpart D – Post Federal Award Requirements of FAR (48 C.F.R. Part 42), as applicable.

4. The Provider Agency shall submit one copy of the appropriate audit report to the Department Business Office within nine (9) months after the Provider Agency's fiscal year audit period unless the State Cognizant Department approves a formal extension request.
 - a) When DCF is the State Cognizant Department and a Provider Agency is seeking a formal extension request, the Provider Agency must submit its request in writing to the Department Business Office.
 - b) The Departmental Component may approve up to one (1) audit extension request, not to exceed sixty (60) days.
5. The Provider Agency's failure to submit the appropriate audit report within the timeframes set forth in 4 or 4b, if DCF has approved an extension request, is grounds for DCF to initiate Contract Default (DCF.P9.05-2007).
6. Provider Agencies, that have Subrecipients perform the services of their Contracts and expend within their fiscal year federal or State financial assistance of \$100,000 or greater, shall ensure that the Subrecipients are audited annually and receive a copy of this policy as part of their agreement with them.
7. Provider Agencies shall make available to the Department upon request records that adequately identify the source and application of funds awarded and the source documentation for audits.
8. Provider Agencies shall maintain and make available to the New Jersey Office of the State Comptroller, upon request, all documentation related to audits for five (5) years from the date of final payment in accordance with Section 3.13 Audit of the Standard Language Document (DCF.2.01-2007).
9. The Provider Agency shall include a Corrective Action Plan to address each audit finding in the current year's audit report, if applicable. The Corrective Action Plan shall provide the name(s) of the contact person(s) responsible for Corrective Action, the Corrective Action planned, and the anticipated completion date.
10. When expenditures of federal Awards totaling \$750,000 or more are incurred by the Provider Agency during the fiscal year, it shall submit a data collection form (Appendix X to Part 200-Form SF-SAC), described in the Uniform Guidance Section 200.512(b), to the Federal Audit Clearinghouse.
11. The Provider Agency shall prepare a schedule of expenditures of federal/State Awards for the period covered by the agency's financial statements that include the total federal/State Awards expended as determined in accordance with Uniform Guidance Section 200.502.

B. Auditor:

1. The Auditor shall include its latest external peer review performed in accordance with Government Auditing Standards with the audit report. NOTE: The Department reserves the right, at its discretion, to conduct or arrange for quality control reviews of selected Provider Agency audits and accompanying work papers.
2. Management Letters issued by the Auditor to the Provider Agency shall be submitted to the Department's Office of Grants, Integrity and Accountability as part of the audit report submission when provided as part of the engagement.
3. If the Audit uncovers or suggests any irregularities or illegal acts, the Auditor shall communicate knowledge of these acts, in writing, to the DCF Office of Grants, Integrity, and Accountability PO Box 717, Trenton, New Jersey 08625-0717.
4. The Auditor shall retain audit work papers and reports for a minimum of seven (7) years from the date of the audit report unless the Department requests in writing a need to extend the retention period. The audit work papers and reports shall be made available, upon request, to the Department or its designee(s).
5. The Auditor is subject to an external quality control review in accordance with Government Auditing Standards at least once every three (3) years.
6. Auditors shall use the criteria outlined in Sections 200.519 and 200.520 when making risk determinations for federal and State programs subject to the Uniform Guidance Subpart F, Audit Requirements.
7. Auditors must include a supplementary schedule of the Provider Agency's federal/State Awards/expenditures in all types of audits submitted. This schedule, entitled Schedule of Expenditures of Federal Awards and Expenditures of State Financial Assistance, shall show for each Award:
 - a) Federal/State Grantor department
 - b) Pass-through Grantor for federal/State Awards
 - c) Program title/name
 - d) Federal/State CFDA/grant Award number or account number
 - e) Award period
 - f) Fiscal year expenditures

C. The Department of Children and Families:

1. The Department is responsible for the reasonable cost of funding, as an allowable contract cost, additional audit work performed in accordance with audit requirements that are above and beyond the State minimum.
2. The Department's Office of Contract Administration (OCA) will:
 - a) Provide technical advice/assistance to Provider Agencies, their Auditors, and Departmental staff as needed;
 - b) Ensure the Provider Agency's Auditor is licensed and in compliance with Government Auditing Standards quality review requirements; and
 - c) Inform the Provider Agency that an audit conducted by an accountant not properly licensed, or who failed to submit a copy of their quality control review, is not acceptable and constitutes grounds for Contract Default.
3. The Office of Grants, Integrity, and Accountability (GIA) will:
 - a) Perform desk reviews of audits submitted to the Department as the State Cognizant Department and then notify OCA of the results; and.
 - b) Follow-up on the audit findings of its desk reviews to ensure the Provider Agency takes appropriate and timely Corrective Action; and
 - c) Issue a Management Decision as prescribed in Section 200.521, Management Decision of the Uniform Guidance Subpart F.

Key Terms (Definitions):

In addition to the defined terms included in the Glossary of the Contract Policy and Information Manual, the following terms shall have meanings as stated:

- Audit Finding means deficiencies the Auditor is required by the Uniform Guidance to report in the Schedule of Findings and Questioned Costs.
- Auditor/Licensed Public Accountant means an Auditor that is a licensed certified public accountant or works for a licensed certified public accounting firm who meets the general standards specified in Generally Accepted Government Auditing Standards (GAGAS).
- Award(s) includes State grants, State aid, and federal and State financial assistance in any form.
- Corrective Action means action taken by the Provider Agency that corrects identified deficiencies, and produces recommended improvements, or

demonstrates the audit findings are either invalid or do not warrant Provider Agency action.

- Contract Default means the Provider Agency has materially failed to fulfill or comply with the terms and conditions of the Contract.
- Department means the Department of Children and Families.
- Departmental Component means the Office of Contract Administration (OCA) as the unit within the Department responsible for the negotiation, administration, approval, closeout, and monitoring of certain Contracts.
- Major Program means a federal/State program determined by the Auditor to be a Major Program in accordance with the Uniform Guidance Subpart F.
- Management Decision means the Office of Grants, Integrity and Accountability's (GIA's) written evaluation of the audit findings and Corrective Action Plan noting the basis for each audit finding sustained, and the expected Provider Agency action to repay Disallowed Costs, make financial adjustments, or take other action.
- Management Letter means a written communication from the Auditor to the Provider Agency that provides instances of non-compliance and internal control weaknesses that are not material but warrant the attention of those charged with governance at the Provider Agency.
- Pass-through Entity/Grantor means a non-federal entity, that transmits a federal or State Award to a Provider Agency or a Subcontractor to carry out a federal or State program.
- Provider Agencies means all for-profit and non-profit private and public entities that have either a cost reimbursement or fee for service Contract with the Department, regardless of whether the Department is the State Cognizant Department.
- State Cognizant Department means the Department assigned audit oversight responsibility to ensure a Provider Agency with at least one cost reimbursement Contract with the State timely submits a quality audit report that complies with federal and State requirements.
- State Grant Compliance Supplement is a document developed by the New Jersey Department of Treasury, Office of Management and Budget that contains compliance requirements to be tested by the Auditor to determine if the Provider Agency has complied with requirements determined by the Department to materially affect the Award/program.
- Subcontractor means the legal entity that enters into a contractual arrangement with a Provider Agency to provide the contracted service.
- Subrecipient means the legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds.

Forms and Attachments:

- Form [CON-7.6.2007-ATT1](#) Notification of Licensed Public Accountant

Policy History:

- Revised February 18, 2020
- Revised July 15, 2019
- Revised July 31, 2017
- Revised January 5, 2015
- Revised November 17, 2014
- New August 31, 2007