

November 18, 1996

LSC Recipients and Interested Parties:

Enclosed are two copies of the Audit Guide for Recipients and Auditors (Audit Guide), along with the Compliance Supplement for Audits of LSC Recipients (Compliance Supplement). In addition to the Compliance Supplement (Appendix A), the following have been incorporated as appendices to the Audit Guide: A Sample Audit Agreement; the Guide for Procurement of Audit Services by LSC Recipients; instructions for submitting the Summary Report Form; the Recipient 5-Day Letter, and the Auditor 5-Day Letter. Copies of this package should be provided to your financial managers and independent public accountants (IPA).

In LSC's 1996 appropriations act, Congress made substantial and fundamental changes in the law governing LSC recipients. This edition of the Audit Guide incorporates these changes.

Recipients and IPAs are encouraged to carefully review this edition of the Audit Guide before initiating the audit. The following are highlights of changes to the Audit Guide.

- Compliance Supplement:** Incorporates important prohibitions, practice restrictions and other recipient requirements in LSC's 1996 appropriations act. The practice restrictions annotated with an asterisk (*) in the Compliance Supplement are subject to special reporting requirements (5-Day Letters). See Sections I-9.C and II-1.H of the Audit Guide.
- Due Date:** Audit Reports are to be submitted to LSC OIG within 120 days of the recipient's fiscal year end.
- Audit Standards and Guidance:** Audits are to be performed in accordance with Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Organizations, and the Audit Guide.
- Summary Report Form:** The OIG requires IPAs to submit, via the Internet, a brief summary of the audit reports on the Summary Report Form (SRF). The information to be provided is limited to findings of noncompliance with the prohibitions/restrictions identified in the Compliance Supplement, material reportable conditions, basic financial data and other summary information.

- **LSC OIG Home Page:** The Home Page for LSC OIG is located at <http://oig.lsc.gov/> on the Internet. The Internet provides a powerful automated tool to communicate information in a fast and efficient manner. The OIG encourages you to contact us via the Internet. We have posted a wide variety of information about the LSC OIG, and soon will add frequently asked questions and answers relating to audit requirements.

If your IPA or you have specific questions relating to compliance requirements or methods of testing, please check the LSC Home Page before calling the Office of Inspector General at (202) 336-8812. Accounting-related matters are addressed in the LSC Accounting Guide and questions relating to accounting practices should be directed to LSC, Office of Program Operations at (202) 336-8800.

Sincerely,

Edouard R. Quatrevaux
Inspector General

Enclosures