

TEXAS COMMISSION ON ALCOHOL & DRUG ABUSE

AUDIT REQUIREMENTS

Organizations expending \$500,000 or more in federal or state awards (from the Commission and other funding sources) during their fiscal years shall obtain either an annual single audit or a program specific audit. Organizations may have a program specific audit in accordance with OMB Circular A-133 or with the Uniform Grant Management Standards State of Texas Single Audit Circular (UGMS) if they expended funds for only one federal program (as listed in the Catalog of Federal Domestic Assistance) or one state program. If funds are spent for more than one federal or state program, a single audit is required. The audited time period is the organization's fiscal year, and not the Commission's funding period. Please see the Commission's audit rules at 40 TAC §144 for further details.

Based upon revisions to OMB Circular A-133 6/30/97 and UGMS, organizations spending less than \$500,000 in federal funds from all sources combined and less than \$500,000 in state funds from all sources are not required to have a single audit. (See OMB A-133 Subpart B Sec. 230(b)(2) and UGMS.) The cost of auditing a non-federal organization which has federal awards expended of less than \$500,000 per year is unallowable. The organization is thereby exempted under *OMB A-133 Subpart B Sec.200 (d)* from having an audit conducted under this part. OMB Circular A-133 and UGMS is to be used for audits of all organizations funded by the Commission.

The audit shall be conducted by a certified public accountant (CPA) that is licensed at the time of the audit by the State of Texas regulatory body. The CPA shall meet all of the general standards concerning qualifications, independence, due professional care and quality control as required by *Government Auditing Standards*, 1994 Revision, Chapter 3, including the requirements for continuing professional education and external peer reviews.

A separate supplementary schedule of revenues, expenditures and changes in fund balance for each Commission contract is no longer required. The Schedule of Expenditures of Federal Awards should list the Commission's contract numbers, the total expended for each individual federal program, and the CFDA number (OMB A-133 § .310). In addition, either a separate schedule of expenditures of state awards or a schedule that includes separate totals for both state and federal awards must be included if state dollars expended require a single audit.

The independent auditor's report should include all of the relevant items listed on the "Audit Report Checklist." Additional guidance on the conduct and reporting of these audits is contained in the latest issuance of the following publications:

- *Government Auditing Standards* issued by the Comptroller General of the United States, 1994
- OMB Circular A-133 as revised 6/30/97
- OMB Circular A-133 Compliance Supplement
- AICPA's Statement of Position 98-3, "Audits of States, Local, Governments, and Not-for-Profit Organizations Receiving Federal Awards"
- Various AICPA audit guides for nonprofits, colleges & universities, & health & welfare organizations
- AICPA's Audit Risk Alert "State and Local Governmental Developments"
- AICPA's Audit Risk Alert "Not for Profit Organizations Industry Developments"
- Uniform Grant Management Standards

The following items should be submitted to the both the **Texas Commission on Alcohol and Drug Abuse's, Program Branch** and the **Health and Human Services Commission, Single Audit Department** within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

- Copies of the entire audit report issued by the CPA
- Copies of any management letter issued by the CPA in conjunction with the audit report
- Copies of management's comments on all findings, recommendations, & questioned costs contained in the audit report and management letter, including a detailed corrective action plan
- Documentation of board approval or disapproval of the audit report

Failure to submit any of these items by the required due date will result in suspension of the organization's contract. If there are additional questions regarding the audit requirements, please call 512/491-1888.

Please mail all of the required materials as follows to ensure that they are received at the correct department:

Regular or Overnight Mail
Health & Human Services Commission
Attention: Clyde Chesney
Single Audit Department, MC H 954
1100 West 49th Street
Austin, Texas 78756

and

Regular Mail
Texas Commission on Alcohol & Drug Abuse
Attention: Larry Raper
P.O. Box 80529
Austin, Texas 78708-0529

Overnight Mail
Texas Commission on Alcohol & Drug Abuse
Attention: Larry Raper
9001 North IH35, Suite 105
Austin, Texas 78753