**Section 357.120 Fiscal Reports and Records**

a) Purchase of service providers shall furnish the Department with any required reports during the contract period in a manner specified in this Section.

b) When all of the contracts with one provider expire or terminate prior to the end of the fiscal year, the revenue and expense sections of the Department's cost report shall be submitted with an opinion from a certified public accountant. This report and opinion shall be submitted within 30 days after the expiration or termination of the contract.

c) Any purchase of service provider (with the exception of day care providers, unless they are involved in cost based rate negotiations authorized under 89 Ill. Adm. Code 356.30(a), and governmental agencies) who receives $150,000 or more from the Department within the State fiscal year shall submit an agency-wide certified independent audit using the requirements in this Section and in accordance with Government Auditing Standards, 2003 (no later amendments or editions included), available from the Government Accountability Office, 441 G Street, NW, Washington, DC 20548.

1) All governmental and not-for-profit organizations must also consider federal audit guidelines and complete audits in accordance with the guidance specified in the Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, when required by A-133 to conduct an audit. If required to prepare an audit in accordance with OMB Circular A-133, the audit must still contain the information listed in subsection (d).

2) The Department may also request, at its sole discretion, certified agency-wide or limited-scope audits from any purchase of service providers (including day care providers and government entities) to ensure compliance with Federal, State and Department requirements. All governmental entities audited by the Illinois Auditor General will submit those audits to the Department within 60 days after completion.

3) The audits for all entities must be completed within 180 calendar days after the completion of the provider's fiscal year.

4) A waiver of the certified audit requirement may be requested in writing and directed to the Department’s Deputy Director of Monitoring and Quality Assurance. The request must state the reason for the waiver and shall be submitted prior to the due date of the report.

5) A request for an extension of the deadline for submittal of the audit and/or costs report beyond the time frame specified in subsection (c)(3) must be submitted in writing to the central office manager responsible for the administration of the reimbursement rates and excess revenue by the required due date in subsection (c)(3).

6) The Department will respond to the requests for waivers or extensions within 30 business days, specifying approval or rejection of the waiver or extension. Waivers are approvable if the cost to the provider outweighs the benefit of the requirement. Extensions beyond 60 calendar days are approvable when circumstances beyond the agency's control prevent a timely submission (e.g., death, hospitalization or a change at the agency) or when a further extension from another State or federal agency requiring the same reports has been granted.

d) The agency-wide certified independent and OMB A-133 audit report submission shall contain the following information:

1) Independent Auditor's Report – an expression of the auditor's opinion on the financial statement;

2) Statement of Financial Position (balance sheet);

3) Statement of Activities – a statement of revenue and expenses and changes in net assets. This statement should specifically identify revenue received for the Department's programs. The cost of management and general expenses should be shown;

4) Statement of Cash Flows;

5) Statement of functional expenses for the agency, including management and general expenses and fundraising expenses. This schedule should show by functional and natural classifications the expenses for each individual program to enable identification of costs covered by Department funding;

6) Notes to the financial statements, including, but not limited to, a note on the basis of accounting and the basis for recording and method for depreciation of assets;

7) Reports on Compliance and Internal Controls Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and

8) A management letter from the certified independent audit firm that specifies those accounting and internal control deficiencies that merit attention.

e) Limited scope audits will be requested in the contract program plan and defined for each situation. The audit report shall include the objectives, scope and methodology; the audit results, including findings, conclusions, and recommendations, as appropriate; a reference to compliance with generally accepted government auditing standards, as necessary; the views of responsible officials; and, if applicable, the nature of any privileged and confidential information omitted. Reports shall be received within the time frames specified in the contract.

f) Cost and Audit Reports are necessary to evaluate the costs for all provider services. Unless the Department determines that circumstances do not warrant the following action, noncompliance with the fiscal reporting requirements included in this Part and the cost reporting requirements in accordance with 89 Ill. Adm. Code 356.40 (Cost Information Requirements of Providers) will result in:

1) withholding of rate increases; or

2) non-renewal or termination of the purchase of service contract; or

3) withholding of current contract payments in full or in part for services provided. Such withholding of payments will occur 60 days after the provider has received written notice from the Director of the Department.

(Source: Amended at 31 Ill. Reg. 7616, effective May 31, 2007)