This Policy Alert notifies For-Profit Organizations of the audit requirements being implemented beginning with program year 2007 (10/1/06 – 9/30/07).

October 1, 2006

Audit Report - The written report provided by the auditor that expresses the auditor’s opinion on whether the financial statements are in accordance with generally accepted accounting principals, and identifies those circumstances in which such principals have not been consistently observed.

Management Letter - The summary prepared by the auditor when the audit is complete, which identifies those weaknesses in the accounting system and operational inefficiencies discovered by the auditor.

For-Profit Organizations that receive $500,000 or more in CACFP funds during the program year are required to obtain a program specific audit of the Organization’s CACFP operations.

The frequency and scope for audits of For-Profit Organizations are determined by the amount of CACFP funds received in a program year. If the CACFP funds that you receive in one program year exceed $500,000, then you must have a program specific audit conducted for that year. If the CACFP funds that you receive in one program year are less than $500,000, then you are exempt from the audit requirement for that program year.

Organizations subject to these audit requirements must be audited on a program specific basis by one of the following:

- An independent auditor.
- An independent certified public accountant.
- An independent public accountant, licensed on or after December 31, 1970, whose license or certificate is still valid.

continued

This Policy Remains in Effect Until Further Notice
Procedure continued

The audit must be performed in accordance with Generally Accepted Auditing Standards (GAAS) and Generally Accepted Accounting Principals (GAAP). The audit packet submitted to Special Nutrition Programs (SNP) must contain the following:

- The audit report.
- The management letter.
- The contractor’s response and/or plan of correction to findings, if any.

Your program audit will be due June 30th of each year. You will be provided with two reminder notifications of your audit’s due date.

We may extend the time within which you must submit the audit packet if we determine that such an extension is justified. Requests for an extension must be submitted in writing to your Area Program Office. The request must include a justification for requesting the extension and the proposed date of submittal. Requests for an extension must be received at least 30 days prior to the June 30th due date. If SNP determines that you do not have justification for an extension, your audit will continue to be due June 30th. You may not appeal SNP’s decision to deny an extension request.

You should review and accept the completed audit packet before submitting it to SNP. The audit packet submitted will be reviewed to determine if it contains all required documentation. You will be requested to submit any missing documentation before the audit packet can be considered complete.

If the audit results indicate program non-compliances or administrative weaknesses, and/or if the contractor’s response is not sufficient to explain findings in the management letter, additional corrective action will be requested.

Two (2) audit packets must be submitted to:

Special Nutrition Programs, Administrative Management Services Section  
Attn: Audit Department, MC Y-906  
Texas Health and Human Services Commission  
P.O. Box 149030  
Austin, Texas 78714-9030

SNP will reimburse your Organization for the cost of obtaining the program specific audit based on the availability of funds. Submit a copy of your invoice with the two audit packets you submit to the address above. Once the audit is accepted and your corrective action approved, if necessary, your Organization will be reimbursed. Do not include the audit cost in your budget. If your Organization received less than $500,000 in CACFP funds in the Program Year, and you obtain an audit for that Program Year, SNP will not reimburse you for the audit cost, as an audit was not required.

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Adverse Action: Failure to comply with the audit requirements may result in placing the contractor in the Serious Deficiency Process, which may result in the termination of your contract. Refer to Policy Alert CACFP ADC 2003-6, *Serious Deficiency Process for Participating Contractors*, for detailed information on the serious deficiency process.

Authority: 7 CFR 226.8

Contact: If you have any questions regarding this Policy Alert please contact your Area Program Office.