**Conducting the Federal Audit: Sample Policy and Procedure[[1]](#footnote-1)**

# **Policy.**

The *[PCA-HCCN name]* (“PCA-HCCN”) is committed to ensuring that an independent audit is conducted annually, in accordance with applicable federal laws, regulations and policies.

**Procedure.**[[2]](#footnote-2)

**1. Establishment of audit committee.** The governing body of PCA-HCCN shall establish a committee (or a subcommittee of its Finance Committee) responsible for developing recommendations to the governing body of suitable independent audit firm(s) to engage for the purposes of conducting an annual audit, and then coordinating and facilitating the performance of that audit. The committee shall consist of PCA-HCCN’s treasurer and no fewer than two additional directors/trustees. All members must be familiar with the nature and scope of PCA-HCCN’s operations, its sources of funding, and the federal independent audit process.

**2. Selection of audit firm.** PCA-HCCN shall solicit proposals to provide independent audit services from qualified audit firms. The criteria for selection shall be set by the audit committee and will ensure that the audit is conducted consistent with the requirements of 45 C.F.R. Part 75 Subpart F and the applicable OMB Circular A-133 compliance supplement(s) for the federal financial assistance program(s) in which PCA-HCCN participates.

PCA-HCCN shall conduct the solicitation process according to its policies and procedures relating to the procurement of professional services. Upon receipt of proposals from interested audit firms, the audit committee will review all responses, then provide them to the governing body as a whole along with action recommendations. The governing body will make the final selection decision and will cause PCA-HCCN to enter into a contract for services with the selected audit firm.

**3. Scope of audit.** The scope of the audit will include:

* A determination whether financial statements are presented fairly in all material respects in conformity with generally-accepted accounting principles (“GAAP”);
* A review of internal controls over federal programs to assess the level of control risk for major programs;
* A determination as to whether PCA-HCCN has complied with the applicable laws, regulations and the provisions of the grant agreements that could have a direct and material effect on the federal programs; and
* All other elements required under applicable federal laws, regulations and policies, including, but not limited to, 45 C.F.R. Part 75 Subpart F and any relevant OMB Circular A-133 compliance supplement(s).

**4. PCA-HCCN responsibilities.** The audit (sub) committee will ensure that PCA-HCCN:

* Timely makes available to the independent audit firm all financial books and records necessary for the auditors to determine the completeness and accuracy of those books and records;
* Timely makes available to the independent audit firm all records showing federal awards received and expenditures under those federal programs;
* Timely makes available to the independent audit firm all reports of activities funded under federal awards necessary for the auditors to determine PCA-HCCN’s compliance with federal program requirements; and
* As necessary, takes corrective action on audit findings.

**5. Audit report.** The independent audit firm shall present the draft and final audit reports to governing body as a whole. PCA-HCCN’s governing body shall, as appropriate, provide to the auditors responses to audit findings and recommendations, and prepare any necessary corrective action plan(s) to address those findings and recommendations.

**6. Non-audit services.** The PCA-HCCN understands and acknowledges that, consistent with the standards for auditor independence, the audit firm is precluded from performing both an independent audit *and* providing certain non-audit management consulting services. If PCA-HCCN desires to procure non-audit services from its audit firm, it will do so in accordance with the policy for “Procuring Non-audit Services from the Audit Firm.”

**This policy and procedure shall be periodically reviewed and updated consistent with the requirements and standards established by the Board of Directors and PCA-HCCN management, federal and state laws and regulations, applicable accrediting and review organizations, and applicable accrediting and review organizations.**

**Responsible parties:**

### Signature Date

### Executive Director

Signature Date

1. The Authors of these materials include attorneys at the law firm of Feldesman Tucker Leifer Fidell LLP. The sample documents offer general guidance based on federal law and regulations and do not necessarily apply to all PCAs-HCCNs under all facts and circumstances. Further, these materials do not replace, and are not a substitute for, legal advice from qualified legal counsel. [↑](#footnote-ref-1)
2. Authors’ note: Using the following sample as a guide, PCAs-HCCNs should tailor the procedure to reflect their own structures and operations. [↑](#footnote-ref-2)