

**ARTICLE 7. AUDIT REQUIREMENTS FOR RECIPIENTS OF COUNTY FUNDS**

7.1. It is the policy of the Washington County Board of Supervisors (hereinafter the Board) to require recipients of County funds to comply with the following:

7.1.1 All recipient organizations shall certify and agree to the Terms and Conditions for County funding established in provision 7.10 by signature of the Terms and Conditions for Recipients of County Funding Form to be completed when submitting the budget request each fiscal year.

7.1.2 Recipients organizations receiving funding of \$15,000 to \$29,999 per County fiscal year shall be required to submit a Form 990 and/or a Financial Statement with the submission of the budget request each fiscal year.

7.1.3 Recipient organizations receiving funding of \$30,000 or more per County fiscal year shall be subject to an annual independent financial review or audit. The provisions of 7.8. notwithstanding, this Article shall apply to those organizations that receive an appropriation of \$30,000 or more in funds from the general tax revenues of the County from time of appropriation of the County Operating Budget of any County fiscal year.

7.1.4 Recipient organizations that receive a one-time capital allocation and do not receive any quarterly allocations for operations are responsible for providing documentation of the invoice for the capital purchase to substantiate the one-time allocation. If the one-time capital funding is over a determined threshold as noted in provisions 7.1.2 and 7.1.3, then an audit may be required and other reporting may be required.

7.1.5 Recipient organizations that receive one-time capital funding and also receive a quarterly allocation for operations shall follow the threshold requirements for reporting in provisions 7.1.1, 7.1.2 and 7.1.3 above. The recipient organization is also responsible for providing documentation of the invoice for the capital purchase.

7.2. The guidelines for independent financial reviews or audits shall be recommended by the County auditor and approved by the Board. The approved guidelines shall be set forth in writing and made part of this Article. These guidelines may be amended or modified from time to time upon recommendation of the County auditor and approved by the Board. Organizations may use more stringent review or audit procedures so long as the applicable guidelines are substantially met.

7.3. In general, the County guidelines for reviews or audits shall be for the purpose of establishing and maintaining proper internal controls regarding the expenditure of County funds by recipient organizations. These guidelines shall also be for the purpose of facilitating full disclosure of the nature of expenditure of County funds by or on behalf of recipient organizations. These guidelines shall be liberally construed so as to be inclusive of all transactions involving County funds. To the degree possible, disclosure of the expenditure of other funds of the recipient organization shall be to an extent only to facilitate disclosure of expenditures involving County funds. The guidelines may differ for various recipient

organizations so long as the purposes set out herein are satisfied, with prior approval of the Board. A certified public accountant who is not an employee or member of the recipient organization shall be engaged to undertake the review or audit.

7.4. Any organization that receives \$30,000 or more in County funds shall be required to submit a review or audit no later than five months after fiscal year end (November 30<sup>th</sup>) or five months after calendar year end (May 31<sup>st</sup>) immediately following the fiscal year when such funds were first received. Where recipient organizations undertake a review or audit in general compliance with the County guidelines on the basis of a calendar year operating cycle other than the County fiscal year, these reviews or audits shall be acceptable as long as a review or audit is submitted for a period encompassing July 1 of the County fiscal year in which such funds were first received.

7.5. Organizations subject to this Article shall forward one (1) copy of their review or audit to the office of the County Administrator no later than five months after the fiscal year end (November 30<sup>th</sup>) or five months after calendar year end (May 31<sup>st</sup>) following the fiscal year in which such funds were first received. Said documentation shall be made available for review by the Board and public within five (5) working days of its receipt unless disclosure would be detrimental to a current or pending criminal or civil investigation of a recipient organization. The office of the County Administrator shall retain all reviews or audits for a period of two (2) calendar years from the date of their receipt, after which time they may be discarded.

7.6. The Board reserves the right to withhold disbursement of appropriated funds to any recipient organization failing to comply with the provisions of this Article, and to take any other lawful action deemed necessary or appropriate. Specific Board action shall be required to direct withholding of appropriated funds, or to take such other action in response to the failure of any recipient organization to comply with the provisions of this Article. The County Administrator or his designee shall advise the Board as to which recipient organizations fail to meet the submission deadline. Extensions of the submission deadline may be granted by the Board.

7.7. The Board may make available to recipient organizations full or partial funding to defray the cost of reviews or audits, subject to appropriation of funds for this purpose. Failure to provide such funding shall not relieve the requirements of this Article. Nothing herein shall be construed to obligate the Board to provide funding to defray the cost of reviews or audits already required of certain organizations prior to the enactment of this Article, nor to require a separate, independent financial review or audit of any recipient organization which is a component unit of the state, federal and/or local government(s) and already subject to annual audit. Nothing herein shall be construed to relieve or supersede more stringent audit requirements set forth by law.

7.8. The provisions of this Article may be applied to other organizations receiving County funds by majority vote of the Board at any official meeting. The Board may similarly exempt any recipient organization from the provisions of this Article.

7.9. Audit Guidelines for Recipients of County Funds

### 7.9.1. Recipient Organization Responsibilities:

7.9.1.1. The recipient organization is responsible for implementing and maintaining an accounting system that will accurately report the sources and uses of cash so as to produce a statement of cash receipts and disbursements for the organization's fiscal or operating year.

7.9.1.2. The recipient organization is responsible for implementation and maintenance of an internal control structure over the cash receipts cycle and cash disbursements cycle. The internal control structure should be designed to give assurance that cash is safeguarded against unauthorized use or disposition, and that transactions are executed in accordance with the organization's Board of Director's (or other executive body) authorization.

7.9.1.3. The recipient organization is responsible for compliance with applicable laws, regulations, and risk management. Compliance requirements include but are not limited to Internal Revenue Code section 501(C)3 status, the filing of required tax returns and/or reports, and maintaining adequate insurance coverage.

7.9.1.4. The recipient organization is responsible for engaging the services of a certified public accountant who is not an employee or member of the recipient organization to undertake the audit.

### 7.9.2. Audit Standards:

7.9.2.1. The audit period shall span at least one (1) complete County fiscal year period (July 1 through June 30).

7.9.2.2. The auditor (certified public accountant) shall give an opinion as to the fair presentation of the recipient organization's Statement of Cash Receipts and Disbursements. Generally Accepted Auditing Standards will be followed in issuing the opinion.

7.9.2.3. The auditor shall conduct a study and evaluation of the recipient organization's internal control structure over cash receipts and disbursements as it relates to the Statement of Cash Receipts and Disbursements. The auditor shall issue a report in regard to the internal control structure and make recommendations, if any, on ways to strengthen said internal controls.

7.9.2.4. The auditor will test the organization's compliance with laws, regulations, and risk management that are material to the organization. A report shall be issued by the auditor as to the organization's compliance or non-compliance.

7.9.2.5. The auditor shall issue a report which at a minimum will include: (1) the

recipient organization's Statement of Cash Receipts and Disbursements, (2) the auditor's opinion on the Statement of Cash Receipts and Disbursements, (3) the auditor's report on internal controls, and (4) the auditor's report on compliance.

7.9.2.6. The auditor will use applicable professional standards in conducting the audit and issuing the reports.

#### 7.10 Terms and Conditions for Recipients of County Funding:

7.10.1. The recipient organization must be a government entity or a nonprofit organization properly organized as a 501(c)3. Any new recipient organization that is a 501(c)3 must provide the County with a copy of the Exemption determination letter from IRS or an equivalent letter from IRS indicating tax exempt status. Existing recipient organizations must provide a copy of the Exemption determination letter from IRS or an equivalent letter from IRS upon request from the County.

7.10.2 The recipient organization is responsible for implementing and maintaining an accounting system that will accurately report the sources and uses of cash so as to produce a statement of cash receipts and disbursements for the organization's fiscal year or operating year.

7.10.3 The recipient organization is responsible for implementation and maintenance of an internal control structure over the cash receipts cycle and cash disbursements cycle. The internal control structure should be designed to give assurance that cash is safeguarded against unauthorized use or disposition, and that transactions are executed in accordance with the organization's Board of Director's (or other executive body) authorization.

7.10.4 The recipient organization is responsible for using the County funds in accordance with intended purposes as stated in the Budget Request for the fiscal year. Any funds found to have been spent improperly by the Recipient organization is the responsibility of the recipient organization to pay back to the County. The Board reserves the right to request a recipient organization that receives less than the threshold for review or audit if the Board has any concerns for the County funds being spent improperly.

7.10.5 The recipient organization is responsible for compliance with applicable laws, regulations, and risk management. Compliance requirements include but are not limited to Internal Revenue Code section 501(c)3 status, the filing of

required tax returns and/or reports, and maintaining adequate insurance coverage.

7.10.6 The recipient organization is responsible for engaging the services of a certified public accountant who is not an employee or member of the recipient organization to undertake the audit or review if required. The County guidelines for reviews and audits shall be for the purpose of establishing and maintaining proper internal controls regarding the expenditure of County funds by recipient organizations. These guidelines shall also be for the purpose of facilitating full disclosure of the nature of expenditure of County funds by or on behalf of the recipient organizations.

7.10.7 Any recipient organization that receives \$30,000 or more in County funds in a fiscal year shall be required to submit a review or audit no later than five months after fiscal year end (November 30<sup>th</sup>) or five months after calendar year end (May 31<sup>st</sup>) immediately following the fiscal year when such funds were first received. Where recipient organizations undertake a review or audit in general compliance with the County guidelines on the basis of a calendar year operating cycle other than the County fiscal year, these reviews or audits shall be acceptable as long as a review or audit is submitted for a period encompassing July 1 of the County fiscal year in which such funds were first received.

7.10.8 The recipient organization shall provide a copy of their review or audit to the office of County Administrator no later than five months after fiscal year end (November 30<sup>th</sup>) or five months after calendar year end (May 31<sup>st</sup>) following the fiscal year in which such funds were first received.

7.10.9 The Board reserves the right to withhold disbursement of appropriated funds to any recipient organization failing to comply with the provisions of Article 7, Audit Requirements for Recipients of County Funds, and to take any other lawful action deemed necessary and appropriate. Specific Board action shall be required to direct withholding of appropriated funds or to take such action in response to the failure of any recipient organization to comply with provisions of this Article. The County Administrator or his designee shall advise the Board as to which recipient organizations fail to meet the submission deadline. Extensions of the submission deadline may be granted by the Board.

7.10.10 The provisions of this Article may be applied to other organizations receiving County funds by majority vote of the Board at any official meeting. The

Board may similarly exempt any recipient organization from the provisions of this Article.

7.10.11 The recipient organization shall certify that they have read and understand the Terms and Conditions for County funding and agree to follow the requirements as stated in the Terms and Conditions as part of receiving County funding and they are authorized to complete and submit the certification on behalf of the recipient organization.