



State of Utah

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Governor

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Lieutenant Governor

DEPARTMENT OF HUMAN SERVICES

ANN SILVERBERG WILLIAMSON  
Executive Director

DIVISION OF SUBSTANCE ABUSE AND MENTAL HEALTH

DOUG THOMAS  
Director

TOOELE COUNTY CORPORATION  
CONTRACT # 10-01-10

December 8, 2015

Tooele County Corporation  
47 S Main Street  
Tooele, Utah 84074-2194

**SUBJECT: NOTICE OF FINANCIAL REPORTING REQUIREMENT CHANGES**

RFP #: n/a

Amendment #: 3

Log#: 33099

Amendment Effective Date: July 1, 2015

Dear Contractor:

Pursuant to the terms of Contract # 140934 between the Utah Department of Human Services, Division of Substance Abuse and Mental Health (hereinafter "DHS/DSAMH") and **Tooele County Corporation**, you are hereby notified that the financial reporting requirements in the Contract have changed. The Annual Financial Reporting Requirements to DHS shall apply to the Contractor's financial reporting year ending in 2016.

The Contract shall be amended as follows:

Replace "Part V: DEFINITIONS, COST PRINCIPLES, ACCOUNTING, AND FINANCIAL REPORTING REQUIREMENTS" with the attached "Part V: ACCOUNTING REQUIREMENTS AND FINANCIAL COMPLIANCE".

In accordance with Part I, Section E. 3 this notice constitutes an amendment to the Contract without the Contractor's signature.

If you have any questions about this Notice, please contact Ray Winger, DHS/DSAMH Contract Analyst at 801-538-4319.

Sincerely,

Doug Thomas, Director  
Division of Substance Abuse and Mental Health

cc: Bureau of Contract Management

# PART V: ACCOUNTING REQUIREMENTS AND FINANCIAL COMPLIANCE

## SECTION A: COST PRINCIPLES

1. **APPLICABLE COST PRINCIPLES:** Regardless of the Contractor's entity type or the source of its funding, the Contractor shall comply with and determine allowable costs in accordance with the federal cost accounting principles described in 2 CFR Part 200 *et seq.* as well as any other applicable Parts.
  
2. **DHS GENERAL COST PRINCIPLES:** In addition to the federal cost principles, the Contractor shall comply with the following DHS general cost principles which apply to all types of DHS contracts.
  - a. **Related Party Costs:** The Contractor shall not make payments to related parties (as defined in the Conflict of Interest provisions of this Contract) in any category of expenditure (Administrative Costs, Capital Expenditures, or Program Costs) without the prior written consent of DHS. Payments to related parties may include, but are not limited to: salaries, wages, compensation under employment or service agreements, or payments under purchase, lease or rental agreements. Payments made by the Contractor to related parties without prior written consent may be disallowed and require repayment to DHS.
  - b. **Personal Expenses:** DHS will not reimburse Contractors for personal expenses. Travel that is not business related is an example of a personal expense that is not allowable.
  - c. **Rate Based Contracts:** If this Contract is a DHS set rate based contract, the Contractor may be required to submit actual cost information to DHS for DHS' use in setting rates. In submitting actual cost information, the DHS cost principles for cost reimbursement contracts also apply.
  
3. **DHS COST PRINCIPLES FOR COST REIMBURSEMENT CONTRACTS:** If this Contract is a cost reimbursement contract the Contractor shall also comply with the following additional DHS cost principles.
  - a. **Differentiation of Costs:** The contractor must differentiate administrative costs from program costs. Administrative costs are costs that do not directly relate to a specific program such as legal counsel, accounting, budgeting, planning, risk management, and management information systems. Program costs are costs that directly relate to a program activity such as client care and supervision, residential services, and client educational services provided by the contractor.

Personnel who have both administrative and program duties or who have duties related to multiple programs shall allocate their time to each function and program as appropriate and shall maintain time sheets or other comparable supporting documentation detailing the time spent in each function and program. Costs that

support more than one function or program, such as office supplies; telephone; facility (including depreciation and interest); data processing equipment and support; transportation; fringe benefits etc., shall also be appropriately allocated to the applicable function and program.

- b. **Administrative Costs:** The administrative costs of this Contract shall not exceed 25% of the program costs of this Contract in any given Contractor fiscal year.

## **SECTION B: CONTRACTOR'S COST ACCOUNTING SYSTEM**

1. At a minimum, the Contractor's accounting system shall provide for a General Ledger and cost accounting records adequate to assure that costs incurred pursuant to this Contract are reasonable, allowable, and allocable to Contract objectives, and separate from costs associated with other business activities of the Contractor. The Contractor's accounting system shall also provide for the timely development of all necessary cost data in the form required by the Contract.
2. If the Contractor must meet federal, State, or DHS reporting requirements, the Contractor's accounting system shall be capable of producing the information and documentation necessary to comply with those reporting requirements.

## **SECTION C: FINANCIAL REPORTING REQUIREMENTS**

1. **DEFINITIONS:** The following definitions are provided for the Contractor's convenience and so that the Contractor may comply with its federal, State, and DHS financial reporting requirements:
  - a. "CFR" means the Code of Federal Regulations
  - b. "Federal Audit Clearinghouse" is as defined in 2 CFR § 200.36.
  - c. "Federal Awards" is as defined in 2 CFR § 200.38.
  - d. "Financial Reports" means audits, reviews, compilations, statements of functional expenses, balance sheets, income statements, statements of cash flow, or the preparer's notes to the financial reports, etc.
  - e. "GAAP" means Generally Accepted Accounting Principles, a combination of authoritative accounting principles, standards and procedures (set by policy boards).
  - f. "GAAS" means Generally Accepted Auditing Standards, issued by the American Institute of Certified Public Accountants (AICPA).
  - g. "GAS/GAGAS" means Government Auditing Standards, issued by the Comptroller General of the United States (also known as "Yellow Book" standards). GAS is often referred to as Generally Accepted Government Auditing Standards

("GAGAS"). GAGAS incorporates the generally accepted standards issued by the AICPA.

- h. **"OMB"** means the federal Executive Office of the President, Office of Management and Budget.
- i. **"Pass-Through Entity"** is as defined in 2 CFR § 200.74.
- j. **"Subrecipient"** is as defined in 2 CFR § 200.93.
- k. **"Uniform Guidance"** means the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" in 2 CFR Part 200 *et seq.*

2. **TYPE OF FINANCIAL REPORT REQUIRED:** Whether or not the Contractor is required to obtain and submit an annual audit or other type of financial report is determined by the Contractor's entity type and the amount and source of its funds, revenues and/or expenditures during the Contractor's fiscal year.

3. **COMPLIANCE WITH APPLICABLE FEDERAL AND STATE REPORTING REQUIREMENTS.** The Contractor shall comply with all applicable federal and State laws, rules, and requirements regarding financial reporting as set forth in the:

- a. Uniform Guidance, and
- b. Utah Code § 51-2a-101 *et. seq.*

A summary of Federal and State reporting requirements is provided in Table 1 below.

4. **COMPLIANCE WITH REPORTING REQUIREMENTS TO DHS:**

- a. The Contractor shall comply with all applicable financial reporting requirements to DHS as set forth in Table 2 below.
- b. **Extensions:** If the Contractor needs an extension to submit required reports to DHS, the Contractor shall submit a written request to the Bureau of Contract Management (BCM) Rate Manager at the following email:

dhsfinancialreports@utah.gov

Requests for extensions shall include the following information:

- (1) The length of time for which the extension is requested;
- (2) The Contractor's justification for the requested extension; and
- (3) The name, phone number, and email address of the person requesting the extension.

Extensions shall be granted at the sole discretion of the BCM Rate Manager.

**Table 1: Summary of Federal and State Annual Financial Reporting Requirements**

<b>Federal Reporting Requirements</b> <i>Per 2 CFR Part 200 (OMB Uniform Guidance)</i>	<b>Utah State Reporting Requirements</b> <i>Per Utah Code § 51-2a-201</i>	<b>Utah State Reporting Requirements</b> <i>Per Utah Code § 51-2a-201.5</i>
<u>TYPE OF ENTITY</u>  Non-Federal Entities	<u>TYPE OF ENTITY</u>  Government Entities, School Districts, and Charter Schools	<u>TYPE OF ENTITY</u>  Non-Profit Corporations with Revenues or Expenditures of <b>MORE than \$25,000</b> in Federal Pass Through, State, or Local Funds as Defined in § 51-2a-201.5
<u>TYPE OF FINANCIAL REPORT REQUIRED</u>  1. If <b>\$750,000</b> or more in federal awards is expended, a <i>Single or Program Specific Audit</i> using GAGAS standards and prepared in accordance with the requirements of OMB Uniform Guidance is required, including: a. The <u>data collection form</u> described in § 200.512. b. The <u>Reporting Package</u> described in § 200.512 including: (1) <u>Financial statements</u> and schedule of expenditures of federal awards; (2) A summary schedule of <u>prior audit findings</u> ; (3) The auditor's report(s); and (4) A <u>corrective action plan</u> for any current year audit findings. c. Any <u>Management Letter(s)</u> issued by the auditor.	<u>TYPE OF FINANCIAL REPORT REQUIRED</u>  The reporting requirements for entities in this category may be found on the Utah State Auditor's website at:  auditor.utah.gov  Reporting requirements depend on the entity's total annual revenues or expenditures which are tiered as follows:  1. Revenues or expenditures greater than <b>\$750,000</b> .  2. Revenues or expenditures <b>between \$350,000 and \$750,000</b> .  3. Revenues or expenditures <b>less than \$350,000</b> .	<u>TYPE OF FINANCIAL REPORT REQUIRED</u>  The reporting requirements for entities in this category may be found on the Utah State Auditor's website at:  auditor.utah.gov  Reporting requirements depend on the entity's total annual revenues or expenditures which are tiered as follows:  1. Revenues or expenditures are <b>\$750,000 or more</b> .  2. Revenues or expenditures are <b>less than \$750,000 but at least \$350,000</b> .  3. Revenues or expenditures are <b>less than \$350,000 but at least \$100,000</b> .  4. Revenues or expenditures are <b>less than \$100,000 but greater than \$25,000</b> .
2. If <b>less than \$750,000</b> in federal awards is expended, no audit is required, <i>except as noted in § 200.503</i> , but records must be available for review or audit.	3. Revenues or expenditures <b>less than \$350,000</b> .	4. Revenues or expenditures are <b>less than \$100,000 but greater than \$25,000</b> .
<u>SUBMISSION REQUIREMENTS</u>  Reports shall be submitted to the Federal Audit Clearinghouse within 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period, whichever is earlier.	<u>SUBMISSION REQUIREMENTS</u>  <b>Government Entities:</b> Reports shall be submitted to the State Auditor within 180 days after the Contractor's fiscal year end.  <b>School Districts and Charter Schools:</b> Reports shall be submitted to the Office of Education by November 30 <sup>th</sup> and to the State Auditor by December 31 <sup>st</sup> .	<u>SUBMISSION REQUIREMENTS</u>  Reports shall be submitted to the State Auditor within six months after the Contractor's fiscal year end.
<b>Disclaimer:</b> The information provided in this Table is summary information only. Any discrepancies between the requirements in this Table and the requirements in federal or state law or rule shall be resolved in favor of the requirements in the applicable law or rule. The Contractor is advised to review the applicable law and rules or seek professional advice to determine whether it is subject to federal and/or Utah State financial reporting requirements and if so, the type of report(s) required for compliance.		

**Table 2: Annual Financial Reporting Requirements to DHS**

TYPE OF ENTITY			
Entities with Federal Reporting Requirements Pursuant to the OMB Uniform Guidance	Government Entities with Utah State Reporting Requirements Pursuant to Utah Code § 51-2a-201	Nonprofit Corporations Subject to Utah Code § 51-2a-201.5	All Entities Receiving Pass Through Money as Defined in Utah Code § 63J-1-220
No additional requirements for DHS	No additional requirements for DHS.	<p><b>Annually Disclose to DHS:</b></p> <ol style="list-style-type: none"> <li>Whether the nonprofit met or exceeded the dollar amounts listed in § 51-2a-201.5(2) in the previous fiscal year of the nonprofit; and</li> <li>Whether the nonprofit anticipates meeting or exceeding the dollar amounts listed in § 51-2a-201.5(2) in the fiscal year the money is disbursed.</li> </ol>	<p><b>Annually Provide to DHS:</b></p> <ol style="list-style-type: none"> <li>A written description and an itemized report detailing the expenditure of the state money, or the intended expenditure of any state money that has not been spent; and</li> <li>A final written itemized report when all the state money is spent.</li> </ol>
			<p>All Entities that <b>DO NOT</b> have Federal or State Reporting Requirements Pursuant to Table 1</p> <p>If <b>\$750,000 or MORE</b> is received from DHS in the Contractor's fiscal year: A CPA Audit performed in accordance with GAGAS is required, including The auditor's Management Letter, if the audit report disclosed any audit findings. If <b>LESS THAN \$750,000 but at least \$500,000 OR MORE</b> is received from DHS during the Contractor's fiscal year: A CPA Review is required. If <b>LESS THAN \$500,000 but at least \$250,000 OR MORE</b> is received from DHS during the Contractor's fiscal year: A CPA Compilation is required. If <b>LESS THAN \$250,000</b> is received from DHS during the Contractor's fiscal year: No report to DHS is required.</p>
SUBMISSION REQUIREMENTS			
See Table 1	See Table 1	<p>Disclosure shall be made to the DHS Contract Analyst at the time of entering into this Contract and to the DHS Rate Manager annually thereafter within six (6) months after the end of Contractor's fiscal year</p>	<p>Reports shall be submitted to the DHS Contract Representative for this Contract no later than July 31st each year or within 30 days of the expenditure of all State funds, whichever is earlier</p>
See Table 1	See Table 1		<p>Reports shall be submitted within six (6) months after the end of Contractor's fiscal year to:</p> <p>dhsfinancialreports@utah.gov OR Department of Human Services Bureau of Contract Management Attention: Rate Manager 195 N. 1950 W., 4<sup>th</sup> Floor Salt Lake City, UT 84116</p>