United States Department of Agriculture
Food and Nutrition Service
Mountain Plains Region
1244 Speer Boulevard
Denver, CO 80204

Reply to Attn. of: SP-94-C-17

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Subject: State Agency (SA) Responsibilities and Procedures for Audits of Private Nonprofit School Food Authorities (SFAs)

To: STATE AGENCY DIRECTORS (Special Nutrition Programs) - Colorado ED, Iowa, Kansas, Missouri ED, Montana OPI, Nebraska ED, North Dakota, South Dakota, Utah, Wyoming ED

Each SA has important responsibilities to ensure that sub-recipients of National School Lunch Program (NSLP), School Breakfast Program (SBP) and Special Milk Program (SMP) Federal assistance--in other words, the SFAs with which the State has agreements--comply with Federal audit requirements. The SA's responsibilities are set forth in the Department's Uniform Federal Assistance Regulations in 7 CFR 3015, Subpart I Audits, and OMB Circular A-128 on Audits of State and Local Governments (Paragraph 9, Subrecipients).

We would like to make the following clarifications and emphases with respect to SA responsibilities in the area of SFA audits, **particularly audits of private nonprofit (PNP) institutions.** Unlike public SFAs, private nonprofit institutions may be ignorant of their own audit responsibilities unless the SA fulfills its required monitoring role.

1. It is the SA's responsibility to notify all SFAs (including PNP SFAs) of the audit requirements to which the latter are subject.

2. Each fiscal year the SA will conduct a survey of SFAs receiving less than $25,000 (including the value of UDSA Donated Foods) to determine the receipt of Federal funds from all non-SA sources. This survey will assist in the identification of all SFAs which are subject to audit requirements.

3. The SA must monitor SFAs which receive $25,000 or more in Federal financial assistance to determine if they meet the audit requirements. PNP audit requirements are set forth in Circular A-133.

4. The SA must obtain, in timely fashion, the audit report for each SFA, and review it to determine if any audit findings indicate that the SFA has not complied with applicable Federal laws and regulations.

5. The SA must ensure that appropriate corrective action is taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations.

6. The SA must consider whether, as the result of an audit, it is necessary to adjust the SA's own records.

7. SA's may conduct program-specific audits for SFAs receiving less than $25,000 in Federal funds. We do not encourage this, however, unless there are anticipated specific problems. The less-than-$25,000 exception to the audit requirement for such institutions was granted because it was not cost effective to have an audit performed.

If you have any questions about these issues, please contact our office.

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