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August 9, 2018

**SAPC BULLETIN NO. 18-09**

**TO:** Substance Abuse Prevention and Control Contracted Service Providers

**FROM:** John Connolly, Ph.D., M.S.Ed., Interim Division Director  
Substance Abuse Prevention and Control

**SUBJECT: FISCAL AUDITS**

In accordance with State and Federal requirements, the Los Angeles County Department of Public Health's Substance Abuse Prevention and Control (SAPC) is working with the County Department of Auditor-Controller to conduct the mandated fiscal audits of all providers. The Auditor-Controller will be conducting audits to ensure compliance with contractual requirements and confirm financial viability.

Representatives from the Auditor-Controller will contact providers directly to schedule the fiscal audit. An entrance conference will be held on the first day of the audit to provide an overview of the audit process. Providers should ensure appropriate representatives are available to answer questions during the audit and have financial records and other requested documents readily available. At the conclusion of the audit, the Auditor-Controller will meet with the provider to discuss any preliminary findings. A formal exit conference to discuss any findings and recommendations will occur within two weeks of the issuance of a draft report. Providers will be given the opportunity to provide a written corrective action plan, if applicable.

Additionally, fiscal audits will be conducted in accordance with SAPC contracts including, but not limited to, the following sections:

- Paragraph J. Invoices and Payments, section A titled, Fiscal Viability: Contractor must be able to carry the costs of its program without reimbursement under this Contract for at least sixty (60) days at any point during the term of this contract.

- Paragraph 22, ADMINISTRATION OF CONTRACT, section Administration of Contract: County's Director of Public Health or his/her authorized designee(s) (hereafter collectively "Director") shall have the authority to administer this Contract on behalf of County. Contractor agrees to extend to Director the right to review and monitor Contractor's programs, policies, procedures, and financial and/or other records, as well as to inspect its facilities for contractual compliance at any reasonable time.
- Paragraph 23, RECORD RETENTION AND AUDITS, sections A & G:
  - A. Financial Records: Contractor shall prepare and maintain on a current basis, complete financial records in accordance with generally accepted accounting principles and also in accordance with written guidelines, standards, and procedures which may from time to time be promulgated by the Director. For additional information, please refer to the Los Angeles County Auditor-Controller's Contract Accounting and Administration Handbook. The handbook is available at <http://publichealth.lacounty.gov/cg/index.htm>.
  - G. Program and Audit/Compliance Review: In the event County representatives conduct a program review and/or an audit/compliance review of Contractor, Contractor shall fully cooperate with County representatives. Contractor shall allow County representatives access to all records of services rendered and all financial records and reports pertaining to this Contract and shall allow photocopies to be made of these documents utilizing the Contractor's photocopier, for which County shall reimburse Contractor its customary charge for record copying services, if requested.
- Paragraph 28, COMPLIANCE WITH APPLICABLE LAW
  - A. In the performance of this contract, Contractor shall comply with all applicable Federal, State, and local laws, rules, regulations, ordinances, directives, guidelines, policies and procedures, and all provisions required to be included in this Contract are hereby incorporated herein by reference. To the extent that there is any conflict between Federal, State, or local laws, the former shall prevail.
    - e.g., Reference for Federal requirements:*
      - *Code of Federal Regulations (CFR) Chapter 2 Office of Management and Budget Guidance, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)*
      - *48 CFR Part 31, Subpart 31.2 – Contracts with Commercial Organizations*

If you have any questions or need additional information, please contact your assigned Contract Program Auditor.

JMC:dd

c: Deborah Allen  
Daniel Deniz  
Jeffrey Ho, Principal Accountant-Auditor, Department of Auditor-Controller