**Section 434.4 Scope of the OFA Audit/Review or Investigation**

a) The Department reserves the right to conduct audits/reviews, limited reviews, follow-up reviews and/or investigations of entities that contract with or are licensed by the Department. The Department may elect to designate qualified individuals to do this on its behalf when an independent (non-DCFS) audit is required by law or contract. Outside independent auditors will be used to conduct audits when a grant award from an outside funding source requires an independent certified audit as a condition of the grant. Audits/reviews and investigations shall encompass some or all of the following general objectives:

1) an examination of financial transactions, accounts, and reports, including an evaluation of compliance with applicable laws and regulations and Department rules.

2) an evaluation of whether the entity is maintaining effective control over revenues, expenditures, assets and liabilities.

3) an examination to verify that financial and cost reports contain accurate and reliable financial and client service data, and are presented fairly.

4) an examination to verify that related party transactions are properly accounted for and disclosed appropriately.

5) an examination to verify that funds are used for their stated purpose as prescribed in the contract with the Department.

6) an examination to verify that costs and services were incurred, expended or provided as billed.

b) A preliminary review of entities may be conducted prior to the full audit. The purpose of the preliminary review is to define and limit the general objectives of the audit so that the audit can be conducted in an efficient manner. The preliminary review may encompass a selective review of financial transactions, accounts, reports, internal controls and compliance with contract provisions. At the conclusion of this review and based upon the results, the auditors may:

1) conduct a full scope audit that encompasses all of the general objectives. A full scope audit will be conducted when major internal control weaknesses or significant deviations from generally accepted accounting principles are observed during the preliminary review.

2) conduct a limited scope audit to include only the areas of observed weaknesses in the entity's recordkeeping or compliance with contracts. A limited scope audit will be conducted when weaknesses in internal controls are observed or minor deviations from generally accepted accounting principles are observed during the preliminary review.

3) cancel additional field work if no major areas of weaknesses are observed in the entity's recordkeeping or compliance with contracts.

c) In the event that a full or limited scope audit is not completed, a written report of the results of the preliminary review shall be prepared and distributed as specified in Section 434.5 of this Part.

d) Current employees of entities or licensees and/or clients of the Department will be interviewed as necessary in conjunction with audits/reviews, limited reviews, and investigations.

e) The scope of the OFA's audit/review or investigation is not intended to identify fraud; but when fraud is suspected, the Department reserves the right to surrender all records pertaining to the audit/review or investigation to the appropriate law enforcement body without notice to the entity with whom the Department has the contracts.

f) Follow-up reviews may be conducted when entities have had major internal control weaknesses identified in the final audit report. Major internal control weaknesses include, but are not limited to, the following:

1) lack of controls over cash accounts or petty cash controls,

2) lack of control over fixed assets,

3) noncompliance with recordkeeping contractual requirements,

4) major deviations from generally accepted accounting principles in the provider's financial reporting and recordkeeping practices,

5) major deviations from federal or State law or Department rules and procedures.

(Source: Amended at 27 Ill. Reg. 7971, effective April 30, 2003)