

CHAPTER 15 – AUDIT

AUDIT REQUIREMENTS

All audits of governmental entities receiving Community Development Block Grant (CDBG) Program funds must be prepared in accordance with requirements stated in the Single Audit Act of 1997. The federal act and 2 CFR 200 Part F require entities that expend \$750,000 or more during the entity's fiscal year in federal funds (from all Federal sources) conduct a single audit for that fiscal year by an independent public accountant.

The grantee calculates the total amount of federal expenditures based on the dates that invoices paid by the grantee and later reimbursed through CDBG resources using the draw down process.

NOTIFICATION OF ANNUAL AUDIT (NAA)

The grantee is responsible for tracking these federal expenditures and required to complete a Notification of Annual Audit Form. The Form must be completed and returned to the Department within **60 days** of the grantee's fiscal year-end. The Notification of Annual Audit form is available on the Department's website.

The Notification of Annual Audit Form **CANNOT** be submitted before the end of the fiscal year, but must only be submitted no later than **60 days** after the end of the grantee's fiscal year.

Grantees must complete the form completely and provide information related to the following:

- The grantee's fiscal year end date;
- The sources of all appropriate federal expenditures that have been made by the grantee, including all grants (and grant numbers) received from the department;
- Information on whether or not the grantee must complete a single audit;
- Contact information of the primary person responsible for arranging the audit; and
- Ensuring the form has been certified by a grantee official;

THE AUDIT

If the grantee meets the criteria (\$750,000 in federal expenditures in the previous fiscal year) for a single audit, it must also submit the audit report to the Department. The audit report must be provided to the Department within 30 days after the grantee receives the auditor's report or 180 days (6 months) after the fiscal year-end (whichever is earlier). Failure of the grantee to provide the necessary audit information may result in sanctions that include suspension of payments to the grantee from the Department until the audit information is received.

All Notifications of Annual Audit (NAA) forms and Single Audits must be either emailed or mailed. When emailing send information to ded.audit.naa@nebraska.gov and include the grantee's name and whether a NAA form or a Single Audit has been included within the email. When mailing the necessary information send information to the Department of Economic Development, Attention Financial Operations.

The grantee must ensure the following guidance is followed when completing an audit.

- Audits must be conducted in accordance with Generally Accepted Government Auditing Standards and 2 CFR 200 Subpart F. The auditor's responsibilities are described in Subpart E.
- The appropriate CFDA number must be used in the Schedule of Expenditures of Federal Awards, 14.228 for CDBG. The CDBG grant number and amount must also be identified in this schedule.

Local expenditures (matching funds, etc.) **should not** be included in this schedule.

- The entity is responsible for follow-up and corrective action on all audit findings. At the completion of the audit, the auditee shall prepare a corrective action plan to address each audit finding included in the current year auditor's report. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.

Upon completion of the audit report each grantee must also complete the following:

- Submit a copy of the single audit to the Department of Economic Development
- Submit to the Federal Clearinghouse in accordance with 2 CFR 200.512 Subpart F, one copy of a signed data collection form (SF-SAC), and one copy of the reporting package for the clearinghouse to retain as an archival copy, and one copy for each federal awarding agency when the schedule of findings and questioned costs disclosed audit findings relating to federal awards that the federal awarding agency provided directly to the entity. (Awards from the Department come to the entity as pass-through awards, not directly from the United States Department of Housing and Urban Development).

AUDITOR SELECTION

Grantees that are required to have a single audit must follow federal procurement procedures in selecting an auditor to perform the audit. If a single audit is to be performed, grantees must select an auditor in accordance with the procurement procedures detailed in 2 *CFR* Part 200.

The use of a Request for Proposal (RFP) is generally the most appropriate method of procurement since auditor qualifications are critical to having a proper audit performed. Criteria for selection of an auditor may include previous experience with audits of CDBG or other federal programs and single audits. Obtain additional information to assure that the auditor is a CPA or licensed public accountant. Verification of the completion and timeliness of previous audits should be made and an assurance that the auditor is independent.

SINGLE AUDIT COSTS

If a grantee is required to have a single audit, they may charge each open federal grant a portion of the audit costs for the fiscal year audited. The allowable portion of audit costs to be charged to each grant is determined by dividing the expenditures of a federal grant in a fiscal year by the total federal expenditures of the local government in that year. The resulting percentage is then multiplied by the total audit cost to determine the allowable audit cost for that grant.

If the grantee feels that the allowable audit cost determined using the calculation method discussed above does not reasonably reflect a CDBG grant's share of the audit cost, the grantee may request that the Department grant a waiver of this provision and approval of a greater share of the audit cost to be charged to that grant. The request must include information from the auditor as to why the calculated audit cost is not representative of the actual audit costs incurred.

Audit costs may only be charged to the Grantee's general administration activity.

AUDITS OF SUBRECIPIENTS

Many CDBG projects use subrecipients in order to carry out project activities. Subrecipients are defined as local governments or nonprofit organizations that are granted CDBG funds by the grantee for specific

project activities.

The grantee is responsible for obtaining a copy of the subrecipient audit. Further, the grantee is responsible for reviewing the subrecipient audit reports and for resolving any findings shown in the audit reports.

The grantee must:

- Ensure that local government and non-profit subrecipients follow the audit requirements of 2 CFR 200 Subpart F.
- See that all subrecipients submit the required audit(s) to the grantee within the required timeframe.
- Review all subrecipient audit reports and follow up on all audit findings. All audit reports must be reviewed and the findings resolved in a management letter sent to the subrecipient within six months of receipt of the audit.
- If an audit finding results in corrective action to be taken by the subrecipient, the subrecipient must identify which corrective action will be implemented and the target date for the implementation.