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DEPT. OF ECONOMIC DEVELOPMENT

Auditing Policy and Procedures

State of Nebraska CDBG-DR Program

JANUARY 2022

RECORD OF CHANGES

The following table summarizes amendments to the Auditing Policy and Procedures.

Date Change Approved	Change Number	Description of Change

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1 POLICY OVERVIEW

The State of Nebraska Auditing Policy and Procedure (P&P) outlines the procedures that will be administered under the supervision of the State’s Department of Economic Development (DED). These procedures are focused on the auditing requirements related to the administration and program implementation activities funded by the United States (US) Department of Housing and Urban Development’s (HUD) Community Development Block Grant – Disaster Recovery (CDBG-DR).

This P&P details the audit requirements in 2 CFR Part 200 Subpart F. Subrecipients are held responsible for all funds expended. As the HUD Grantee, DED has responsibilities for oversight of these requirements. 2 CFR Part 200 Subpart F outlays the federal requirements for audits for governmental entities and nonprofit organizations.

The State of Nebraska enforces conduct of the CDBG-DR program to ensure that no person is excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of their age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability, or marital status.

2 ACRONYMS

Acronym	Meaning
AICPA	American Institute of Certified Public Accountants
ARPA	American Rescue Plan Act
CAFR	Comprehensive Annual Financial Report
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant – Disaster Recovery
CFDA	Catalog of Federal Domestic Assistance
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CPA	Certified Public Accountant
DED	Nebraska Department of Economic Development
FAC	Federal Audit Clearinghouse
FEMA	Federal Emergency Management Agency

Acronym	Meaning
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAGAS	Generally Accepted Government Auditing Standards
HUD	United States Department of Housing and Urban Development
IRS	Internal Revenue Service
NAA	Notification of Annual Audit
OIG	Office of the Inspector General
OMB	United States Office of Management and Budget
PCAOB	Public Company Accounting Oversight Board
P&P	Policy and Procedure
PTE	Pass-through Entity
R&D	Research and Development
RFP	Request For Proposals
US	United States

3 SCOPE

This policy applies to all DED employees, providers, vendors, contractors, consultants, Subrecipients, partners, citizens, Successful Applicants, external departments, and agencies doing business with DED, as well as beneficiaries and others associated with, working for, accessing, or attempting to access benefits under the CDBG-DR programs.

4 AUDITING POLICY

The Auditing P&P defines the terminology and responsibilities related to the CDBG-DR auditing process and outlines the steps and requirements related to a successful auditing process. Additionally, this policy describes the pre-award audit procedures for those deemed eligible, and the audit procedures focused on single audits, and describing the associated requirements.

The audit tracking management procedures provide an overview of the recordkeeping requirements related to auditing and records database. The audit findings procedures detail the

outcome of the process and further discusses the following associated letters, forms, and checklists:

- Notification of Annual Audit Form (see **Appendix A: Notification of Annual Audit Form**);
- Single Audit Letter Template (see **Appendix B: Single Audit Letter Template**);
- Pre-Audit Checklist (see **Appendix C: Pre-Audit Checklist**); and
- Notification of Annual Audit and Single Audit Requirements (see **Appendix D: Notification of Annual Audit and Single Audit Requirements**).

5 ROLES AND RESPONSIBILITIES

Applicant: Applicants are advised these auditing policies and procedures are not applicable unless they are subsequently awarded CDBG-DR Program assistance.

DED: The DED is responsible for the financial management of all CDBG-DR related funds which includes overseeing eligible activities and conducting required auditing.

Subrecipient: A governmental entity that is serving as a Subrecipient shall ensure that an audit is performed in accordance with 2 CFR [§ 200.501 and 200.514 on any non-Federal entity that receives more than \\$750,000 in federal resources \(not exclusive to CDBG-DR\) in that entity's fiscal year](#). See also Applicant.

Successful Applicant: An awarded non-profit non-governmental applicant is responsible for the same Federal funds oversight responsibilities as a Subrecipient, including the Single Audit. For-profit Successful Applicants (e.g., housing developers) are subject to separate auditing standards. See section 6.3, **For-Profit Successful Applicant Audit** for additional details.

Oversight Audit Agency: HUD is the Federal awarding agency for CDBG-DR funds as established in 2 CFR § 200.1 Definitions: *Oversight agency for audit*. A Federal agency with oversight for an auditee may reassign oversight to another Federal agency that agrees to be the oversight agency for audit.

State Auditor of Public Accounts (State Auditor or APA): As one of five elected constitutional officers, the State Auditor provides an independent and objective assessment of the State of Nebraska's governmental operations. The offices of the APA regularly reviews government operations to ensure compliance with State and Federal laws.

6 AUDIT PROCEDURES

6.1 AUDIT REQUIREMENTS

Audit requirements for non-Federal entities are set forth in 2 CFR 200 Subpart F. Pursuant to 2 CFR § 200.501, audits are required where non-Federal entities, including units of local government and non-profit organizations, **expend \$750,000 in Federal awards in that organization's fiscal year**. Subrecipients and non-profit Successful Applicants are considered "non-Federal entities" and are required to adhere to 2 CFR § 200.501.

For example, in their fiscal year 2021-2022, where Anytown expended \$151,000 in Coronavirus State and Local Fiscal Recovery Funds via the American Rescue Plan Act (ARPA) and is also a Subrecipient under DED's CDBG-DR Affordable Housing Construction Program having expended all of a \$600,000 award, Anytown would be subject to a Single Audit for FY21-22.

DED will comply with all applicable State and Federal audit requirements, which includes filing its own Single Audit each fiscal year. To ensure all applicable entities that participate in DED programs follow these regulations, DED created the Notification of Annual Audit (NAA) Form for completion by entities having received Federal awards through DED-administered programs. Completion of the NAA identifies if an audit is triggered. In the Subrecipient Agreement, Subrecipients are required to certify that they will give HUD and DED access to and the right to examine all records, papers, documents, and other materials related to the use of grant funds, regardless of whether the Subrecipient is subject to the single audit. Contract documents with non-governmental Successful Applicants will contain similar requirements.

DED will work with all Subrecipients and Successful Applicants to ensure the NAA form is correctly submitted and any questions answered. DED will also monitor any auditor's findings to ensure Federal funds are being spent responsibly (see **Monitoring and Compliance Plan** for additional information). In addition, the HUD Office of Inspector General provides guidance¹ and a Consolidated Audit Guide on Single Audits and audits of for-profit program participants and is also available to answer questions. HUD provides assistance to independent public accountants who have questions on HUD program requirements and procedures. HUD Office of the Inspector General's (OIG) Single Audit Coordinator provides technical assistance on questions about audit procedures for HUD-required and single audits.

6.2 SINGLE AUDIT

If the expenditures threshold is met per section 6.1, **Audit Requirements**, an audit must be completed. In most cases, this is a single audit.

¹ <https://www.hudoig.gov/library/single-audit-guidance>

6.2.1 SINGLE AUDIT REQUIREMENTS

The single audit report must be provided to DED within 30 days after the Subrecipient or non-profit Successful Applicant receives the auditor's report or nine (9) months after the end of the audit period, unless a different period is identified. The Subrecipient or non-profit Successful Applicant must ensure the following guidance is followed when completing a single audit:

- Audits must be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and [2 CFR 200 Subpart F](#). The auditor's responsibilities are described in [Subpart E](#).
- The appropriate Catalog of Federal Domestic Assistance (CFDA) number must be used in the Schedule of Expenditures of Federal Awards, 14.228 for CDBG-DR. The CDBG-DR grant number and amount must also be identified in this schedule. Any local expenditures (i.e., matching funds) 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.

For all completed single audit reports:

- Submit a copy to DED. Audits must be submitted in the form or manner prescribed by DED.
- Submit to the Federal Audit Clearinghouse in accordance with [2 CFR § 200.512](#), one (1) copy of a signed data collection form (SF-SAC), and one (1) copy of the reporting package for the clearinghouse to retain as an archival copy, and one copy (1) 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 DED come to the entity as pass-through awards, not directly from HUD).

Failure of the Subrecipient or non-profit Successful Applicant to provide the necessary audit information may result in sanctions that include suspension of payments to the Subrecipients or non-profit Successful Applicants from DED until the audit information is received.

6.3 FOR-PROFIT SUCCESSFUL APPLICANT AUDIT

Profit-motivated program participants, such as HUD-approved lenders, mortgage-backed security issuers, multifamily project owners, and others, are subject to HUD uniform financial reporting standards set forth in 24 CFR Part 5, Subpart H; and 24 CFR § 202.5(g) and related mortgagee

letters. In such cases, HUD requires an audit that consists of two (2) components: a financial statement audit of the entity and a compliance audit of the entity's major HUD programs.

The audit, conducted by an independent certified public auditor, must be performed in accordance with Generally Accepted Auditing Standards (GAAS), issued by the American Institute of Certified Public Accountants (AICPA), and GAGAS, issued by the Comptroller General of the United States. For Securities and Exchange Commission registrants, the financial statement audit may be performed in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) and GAGAS.

The compliance audit is to be conducted in accordance with the HUD Consolidated Audit Guide, which requires that the auditor perform procedures that enable the auditor to opine on whether the entity has complied with laws, regulations, and the provisions of contracts or grant agreements applicable to its major HUD programs.

6.4 PROGRAM-SPECIFIC AUDIT

Pursuant to 2 CFR §200.501, a program-specific audit has limited applicability. Most entities that trigger the need for an audit will complete a single audit. Please consult DED prior to completing a program-specific audit.

6.5 AUDIT COSTS

Single audit-related costs are not reimbursable as Project Costs or Activity Delivery Costs., and such costs should be considered by the Applicant at the time of their application for funding.

7 AUDIT TRACKING MANAGEMENT PROCEDURES

7.1 NOTIFICATION OF ANNUAL AUDIT (NAA) FORM

The NAA form (see **Appendix A: Notification of Annual Audit Form**) is completed to summarize all Federal expenditures within an organization's fiscal year. During a fiscal year, the Subrecipient is responsible for tracking **all** Federal expenditures and required to complete a NAA Form. The NAA form is available on DED's website and AmpliFund. Subrecipients who receive funds under multiple DED-administered programs need only complete a single NAA form. This form must be submitted in the form or manner as prescribed by the Department.

7.2 AUDIT TRACKING DATABASE

DED tracks in EnterpriseOne which entities may be subject to audit requirements to ensure all of those entities file their NAA form and, if triggered, audit report. See also section 7.1, **Notification of Annual Audit (NAA) Form**.

2 CFR §200.73 states “when there is no direct funding, the Federal awarding agency which is the predominant source of pass-through funding must assume the oversight responsibilities.” HUD is the oversight audit agency for CDBG-DR funds, and **DED is responsible for monitoring CDBG-DR funds in the State of Nebraska and providing technical assistance**. The duties of the oversight agency for audit and the process for any reassignments are described in 2 CRF § 200.513(b) which include:

1. Providing technical advice to auditees and auditors as requested.
2. Assuming all or some of the responsibilities normally performed by a cognizant agency for audit.

8 AUDIT FINDINGS PROCEDURES

8.1 REVIEW OF AUDIT REPORTS

The audit reports are reviewed by DED’s Chief Financial Officer (CFO) to determine whether or not significant findings have been identified by the single audit. A letter must be sent to each Subrecipient notifying them of either acceptance of the audit report or the presence of an audit finding that should be corrected. This letter is normally sent to the Subrecipient’s chief elected official (e.g., mayor, village board chair) or similar. The letter must be sent within 180 days, or timeframe as mutually agreed, after the Department’s receipt of the actual audit report. The spreadsheet used to track audit information will be provided to Federal and State auditors conducting on-site reviews. DED retains copies of these letters for each yearly cycle. If the Subrecipient or non-profit Successful Applicant does not responsibly submit a corrective action plan, then DED may issue a management decision for all findings in a single audit report that includes Federal awards granted by DED. Other findings in the single audit may present concerns related to internal controls/grant management.

8.2 CORRECTIVE ACTION PLAN SUBMISSION REQUIREMENTS

During the 105th legislative session in 2017, the Nebraska Legislature passed into law LB151, requiring State agencies subject to a report or management letter by the Nebraska Auditor of

Public Accounts to submit corrective action plan(s). This law does **not** apply to non-governmental entities.²

Agencies are required to submit the action plan(s) no more than six (6) months after the report or management letter was issued.

As required by [Neb. Rev. Stat. § 84-304](#)(3)(b) (Supp. 2017), and amended by [LB 151](#) (2017):

Any entity, excluding the State colleges and the University of Nebraska, that is audited or examined pursuant to subdivision (3)(a) of this section and that is the subject of a comment and recommendation in a management letter or report issued by the Auditor of Public Accounts shall, on or before six months after the issuance of such letter or report, provide to the Auditor of Public Accounts a detailed written description of any corrective action taken or to be taken in response to the comment and recommendation. The Auditor of Public Accounts may investigate and evaluate the corrective action. The Auditor of Public Accounts shall then electronically submit a report of any findings of such investigation and evaluation to the Governor, the appropriate standing committee of the Legislature, and the Appropriations Committee of the Legislature. The Auditor of Public Accounts shall also ensure that the report is delivered to the Appropriations Committee for entry into the record during the committee's budget hearing process.

Failure to complete corrective action plan(s) as required by State law would result in noncompliance with Nebraska State law and subsequent action from the Legislature.

Corrective action plans will be verified during subsequent audits, and the results of such audits will be reported to the Governor, the appropriate standing committee of the Legislature, and the Appropriations Committee of the Legislature upon issuance of the audits.

9 PROPOSED APPENDIX LIST

The following appendices reflect tools and templates that will be developed throughout the course of program launch and implementation to support Subrecipients and Successful Applicants with carrying out the procedures set forth in this P&P. Items marked in **gray** indicate that the tool or template is still under development at the time of this document's release. In many cases, a similar form exists under the regular CDBG program and will be adapted for CDBG-DR.

² This law gives the Nebraska Auditor of Public Accounts power to audit financial records of all state officers, state bureaus, state boards, state commissioners, the state library, societies and associations supported by the state, state institutions, state colleges, and the University of Nebraska. (Neb. Rev. Stat. § 84-304(3)(a))

These tools do not reflect any additional policy or procedural element that is not described in the main P&P document. They will be added as appendices to this P&P for convenience of use by relevant stakeholders.

Appendix A: Notification of Annual Audit Form

Appendix B: Single Audit Letter Template

Appendix C: Pre-Audit Checklist

Appendix D: Notification of Annual Audit and Single Audit Requirements