Audits
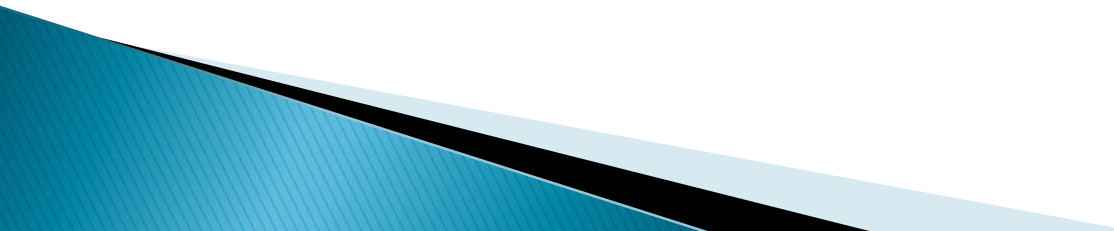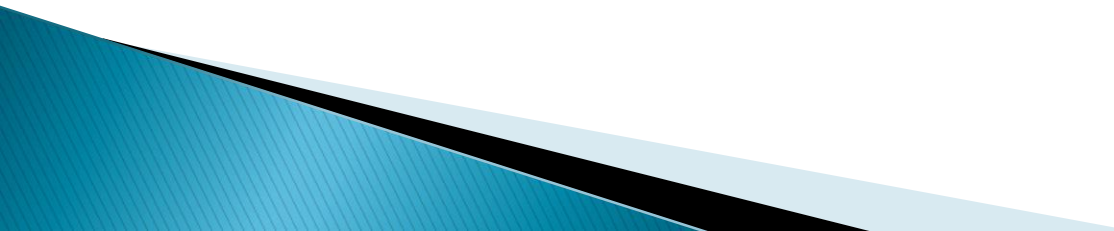
A necessary evil

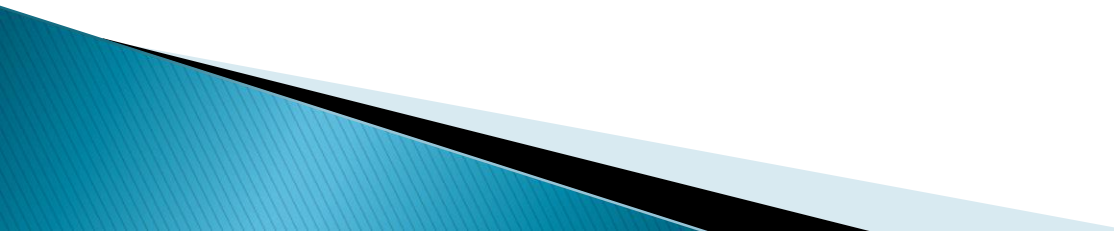# Terminology

- Cash vs. Accrual
- Unrestricted vs. Restricted
- Unobligated vs Unallocated
- Obligations vs Accruals
- Unearned Revenue/Deferred Inflow
- Financial Audit vs. Program Monitoring
- Direct vs Indirect Charges

Financial Statements

- Balance Sheet/Statement of Net Position
  - Financial position at a certain point in time. What you own and what you owe.
  - Very static, timing is critical
  - Assets (what you own or are due)
  - Liabilities (what you owe or required to pay)

Financial Statement cont.

- Income Statement/Statement of Revenue & Expenses/Statement of Activities
  - Money in and out.
  - Helpful if it compares to approved budget for period.
  - Revenues–Income/ Incoming grant receipts
  - Expenses–Expenditures/costs associated with grant programs

Financial Reports vs Grant Reports

FEDERAL FINANCIAL REPORT
(Follow form instructions)

Agency and Organizational Element to Report is Submitted Commerce-EDA	2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment) 01-83-14290.01		Page 1	of 1 pages

Recipient Organization (Name and complete address including Zip code)
...ley Regional Planning and Development Council
... Parkersburg WV 26102-0247

Number	4b. EIN 55-0694813	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment) 01-83-14290.01	6. Report Type ☐ Quarterly ☐ Semi-Annual ☒ Annual ☐ Final	7. Basis of Accounting ☒ Cash ☐ Accrual

Grant Period (Month, Day, Year)	To: (Month, Day, Year) 3/31/2015	9. Reporting Period End Date (Month, Day, Year) 3/31/2015

...actions	Cumulative

...e for single or multiple grant reporting)

...ash (To report multiple grants, also use FFR Attachment):

Receipts	0.00
Disbursements	0.00
on Hand (line a minus b)	0.00

(...o for single grant reporting)

...penditures and Unobligated Balance:

Federal funds authorized	70000.00
...ral share of expenditures	70000.00
...ral share of unliquidated obligations	0.00
Federal share (sum of lines e and f)	70000.00
...ligated balance of Federal funds (line d minus g)	0.00

...Share:

...recipient share required	00000.00
...ient share of expenditures	30000.00
...ining recipient share to be provided (line i minus j)	0.00

...ncome:

Federal program income earned	0.00
...am income expended in accordance with the deduction alternative	0.00
...am income expended in accordance with the addition alternative	0
...xended program income (line l minus line m or line n)	0.

a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
Provisional	.53	4/1/14	3/31/15	45176.13	22595.26	15817.34
			g. Totals:	45178.13	22566.26	15817.34

8. Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.

Super circular Sub Part F-Audit Requirements

Sets forth requirements for an entity to have need of an audit.

Non-Federal Entity that expends $750,000 or more in Federal Awards during the fiscal year must have single or program specific audit. Most will have single audit

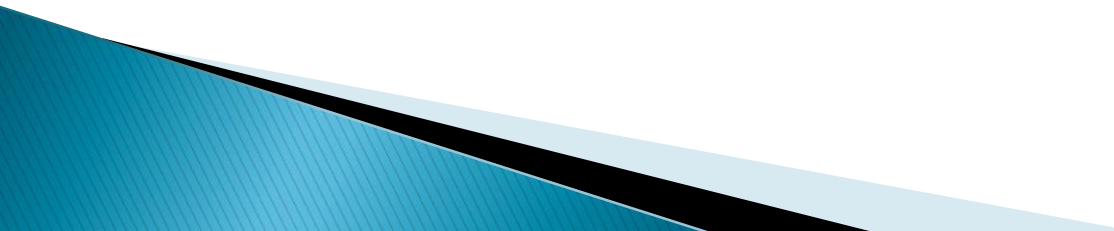"Hey, we're government accountants. These numbers aren't supposed to add up."

Program Specific Audit

- When Federal expenditures are under one Federal program, and Federal program guidance does not require financial statement audit.
  - Will consist of areas of focus that the federal agency wants audited. Typically will have a program specific audit guide outlining the internal controls, compliance requirements, suggested audit procedures and audit reporting requirements.

Single Audit

- Required if expends $750,000 in Federal Awards
  - Watch expended definition if you are a recipient, subrecipient and contractor. Contractor proceeds are not counted in this determination.
    - Example Entity A receives and fully expends USDA Grant $200,000, DOL Grant $250,000 and EDA Project Design Contract $500,000 for total of $950,000. They are not subject to single audit as federal amount is only $450,000

What to expect during Single Audit

- You are actually in control

- Knowledge is power or key to successful audit experience.

- Be prepared, know what the auditor will ask for and why.

Sample from Compliance Supplement for EDA Grants

▸ Suggested Audit Procedures a. Verify that the amounts recorded in the financial records include RLF income and repayments of principal on RLF loans. b. Ascertain that if RLF income was not used for administrative expenses, it was added to the RLF capital base. c. Ascertain if all funds arising from repayments of principal on RLF loans were made available for re-lending. d. Verify that any "excess funds" have been sequestered in an interest-bearing account, as required, and that the recipient is properly accounting for the Federal share of the interest accruing on these funds and remitting this amount to the U.S. Treasury.
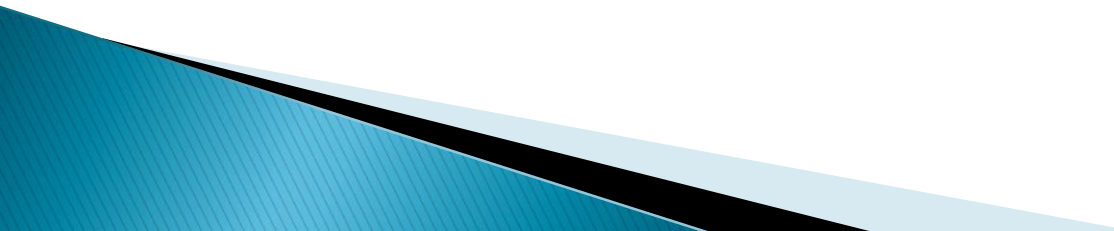
Keys to successful experience

- Prepare the financial statements in audit ready format.
  - This includes the footnotes and schedule of federal awards

  - Have worksheets ready to support any numbers such as fixed assets or loan loss calculations

Read the audit compliance sections for your grant programs.

▶

Anticipate the questions: if you can determine the major programs have key data ready such as Senior Companion Program Stipends, are sure to be reviewed. So have these general ledger accounts already downloaded into excel file for auditor.

What is Major Program

- Auditor term-using risk based approach including guidance from federal agency, inherent risk of program and experience, auditor ranks programs into large programs with higher risk of.
- Then based upon these rankings they determine which programs are subject to increased scrutiny.

Final Comments

Auditor can't be the same person who prepares the financial statements or prepares the indirect cost proposal or cost allocation plan. You might need to contract with two accounting firms depending on in house capabilities.

These are your statements and you the entity being audited are responsible for timely audit reports, follow up to any findings and communications with grantor agencies. So make sure your in house staff is competent and stays updated with regulations.

Follow procurement guidelines for CPA services.

Suggested to only contract for one year at time with renewal options.

Then you can switch auditors when you desire and not be locked in.

Good idea to switch auditors on periodic basis. After a long tenured audit contract with same audit team they get complacent. Can have same firm year after year but different audit team=almost as good as new audit firm.

"Good news: I spoke with our accounting department — two plus two does equal five."

- Questions??
- Feel free to call anytime

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