

CITY 2018 Audit Programs

June 30, 2018

**SINGLE AUDIT**  
**COMPLIANCE REQUIREMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>A. ACTIVITIES ALLOWED OR UNALLOWED:</p> <ol style="list-style-type: none"> <li>1. Identify the types of activities allowed and unallowed for the program(s) tested.</li> <li>2. If allowability is determined based upon summary level data, verify allowability of the activity and that individual transactions were properly classified and accumulated into the activity total.</li> <li>3. If allowability is determined based upon individual transactions, select a sample of transactions and verify allowability of the activity. Be alert for any large dollar transfers from program accounts, which may have been used to fund unallowable activities.</li> </ol> <p>B. ALLOWABLE COSTS/COST PRINCIPLES:</p> <ol style="list-style-type: none"> <li>1. For transactions selected which involve federal funds determine whether the costs meet the following criteria: <ol style="list-style-type: none"> <li>a. Costs were necessary and reasonable for the performance of the Federal award and allocable to the federal award under the principles in 2 CFR part 200, subpart E.</li> <li>b. Conform to any limitations or exclusions set forth in 2 CFR part 200, subpart E, or in the Federal award as to types or amount of cost items.</li> <li>c. Consistent with policies and procedures that apply uniformly to both federal and non-federal activities of the City.</li> <li>d. Not allocable to or included as a direct cost of a federal program if the same or similar costs are allocated to the Federal award as an indirect cost.</li> <li>e. Not included as a cost or used to meet cost sharing or matching requirements of another federally supported activity in either the current or a prior period.</li> <li>f. Supported by underlying documentation.</li> <li>g. Determined in conformity with general accepted accounting principles, except, as otherwise provided for in 2 CFR part 200.</li> </ol> </li> <li>2. If unallowable direct costs have been identified, determine whether "directly associated costs" have also been charged.</li> </ol>					

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<p>3. Determine costs were approved by the federal awarding agency if required, or in accordance with 2 CFR section 200.407 for selected items of costs.</p> <p>4. Determine costs did not consist of improper payments including:</p> <ul style="list-style-type: none"> <li>a. Payments which should not have been made or were for incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative or other legally applicable requirements.</li> <li>b. Payments which do not account for credit for applicable discounts.</li> <li>c. Duplicate payments.</li> <li>d. Payments to an ineligible party or for an ineligible good or service.</li> <li>e. Payments for goods and services not received (except where authorized by law).</li> </ul> <p>5. If the City is using a De Minimis indirect cost rate:</p> <ul style="list-style-type: none"> <li>a. Determine the City has not previously claimed indirect costs on the basis of a negotiated rate. Auditors are required to test only for the three fiscal years immediately prior to the current audit period.</li> <li>b. Test selected transactions for conformance with 2 CFR section 200.414 (f). <ul style="list-style-type: none"> <li>1) Verify the de minimis rate was used consistently, the rate was applied to the proper base and amounts claimed were the product of applying the rate to a modified total direct costs base.</li> <li>2) Verify the costs included in the base are consistent with the costs included in the base year, i.e. verify current year modified total direct costs do not include costs items that were treated as indirect costs in the base year.</li> </ul> </li> <li>c. Determine if the City's use of the de minimis rate resulted in the City double-charging or inconsistently charging costs as both direct and indirect.</li> </ul>					

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<p>6. Cost Allocation Plans/Indirect Cost Rate Agreements</p> <p>Determine whether material indirect costs or centralized or administrative services are being charged to federal programs. If such costs are being charged, perform the following procedures:</p> <ol style="list-style-type: none"> <li>Obtain and read the Indirect Cost Rate Agreement (ICRA) and/or the current Cost Allocation Plan (CAP) and determine the types of rates and procedures required.</li> <li>Determine the terms of the allocation plan and/or rate agreement in effect (i.e., predetermined, fixed with carryforward provisions or provisional/final)</li> <li>Verify the methods of charging costs to federal awards are in accordance with the provisions of the approved Indirect Cost Rate Proposal (ICRP) or CAP, or prepared ICRP or CAP, on file.</li> <li>Determine whether the CAP or ICRP includes the required documentation in accordance with 2 CFR part 200, Appendix VII, paragraph D or Appendix V, paragraph E, as applicable.</li> <li>If the City does not have a negotiated ICRA, determine whether documentation exists to support costs. Report Question Costs if no support.</li> <li>If ICRP is not complete, consider whether interim testing is necessary of the costs charged to the cost pools and the allocation bases to minimize questioned costs, if any.</li> <li>Examine claims submitted to the federal agency for reimbursement. Determine if the amounts charged and rates used are in accordance with the plan and if rates are being applied to the appropriate base.</li> <li>Review, on a test basis, supporting documentation to determine whether: <ol style="list-style-type: none"> <li>The indirect cost pool or centralized service costs contain only allowable costs in accordance with 2 CFR part 200.</li> <li>The methods of allocating the costs are in accordance with the provisions of 2 CFR part 200, other applicable regulations and negotiated agreements.</li> </ol> </li> </ol>					

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<p>3) Employee time report system results are mathematically and statistically accurate, allowable and properly allocated to the various functional and programmatic activities to which the salary and wage costs are charged.</p> <p>4) If ICRP uses the multiple allocation base method, test statistical data to determine if the proposed allocation or rate bases are reasonable, updated as necessary and do not contain any material omissions.</p> <p>5) The indirect costs charged to federal programs are supported by amounts recorded in the accounting records from which the most recently issued financial statements were prepared.</p> <p>7. When material charges are made from internal service, central service, pension or similar activities or funds, verify the charges from these activities or funds are in accordance with the 2 CFR part 200:</p> <p>a. For activities accounted for in separate funds, ascertain if:</p> <p>1) Net position/fund balances (including reserves) were computed in accordance with cost principles.</p> <p>2) Working capital was not excessive in amount (generally not greater than 60 days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs and debt principal costs).</p> <p>3) Adjustments were made when there is a difference between the revenue generated by each billed service and the actual allowable costs.</p> <p>4) Refunds were made to the federal government for its share of any amounts transferred or borrowed from internal service or central service funds for purposes other than to meet the operating liabilities, including interest on debt, of the fund.</p> <p>b. Verify all users of services were billed in a consistent manner.</p> <p>c. Verify the billing rates exclude unallowable costs.</p>					

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<p>d. Where billing rates are not accounted for in separate funds, verify the billing rates are developed based on actual costs and were adjusted to eliminate profit.</p> <p>e. For organizations which have self-insurance and certain type of fringe benefit program (e.g. pension funds), verify independent actuarial studies appropriate for such activities are performed at least biennially and current costs were allocated based on an appropriate study which is not over two years old.</p> <p>C. CASH MANAGEMENT:</p> <ol style="list-style-type: none"> <li>1. Review City trial balances for unearned federal revenue and evaluate the size of the balances in relation to the program's needs.</li> <li>2. If an advancement method is used, review the City's system to determine if it is adequate to limit the amount of federal cash to immediate needs.</li> <li>3. If a reimbursement method is used, trace selected transaction to supporting documentation and determine if the City paid for the costs prior to the date of the reimbursement request.</li> <li>4. Determine program income (rebates, refunds, settlements, interest) was disbursed before requesting additional federal cash draws.</li> <li>5. Review records to determine if interest in excess of \$500 per year was earned on advances and whether it was returned to the Department of Health and Human Services Payment Management System.</li> <li>6. For loans, loan guarantees, interest subsidies and insurance, perform tests to ascertain if the City complied with applicable program requirements.</li> <li>7. Review selected cash reports submitted by sub recipients and determine if the City implemented procedure to ensure that the time elapsed between transfer of federal funds and disbursement for program purposes was minimized.</li> </ol> <p>D. RESERVED</p>					

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<p>E. ELIGIBILITY:</p> <p>1. Individuals:</p> <p>a. For some federal programs with a large number of individuals receiving benefits, the City may use a computer system for the processing of individual eligibility determinations and the delivery of benefits. U.S. generally accepted auditing standards provide guidance for the auditor when computer processing relates to accounting information that can materially affect the financial statements being audited. When eligibility is material to a major program, and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the City's computer processing.</p> <p>1) Perform audit procedures relevant to the computer system as needed to support the opinion on compliance for the major program.</p> <p>2) These tests may be performed as part of testing the internal controls for eligibility.</p> <p>b. For split eligibility functions, determine that testing for internal controls and compliance objectives are performed regardless of whether the State performs part of the determination.</p> <p>c. Perform procedures to determine completeness of the population.</p> <p>d. Select a sample of individuals receiving benefits and perform tests to determine if the:</p> <p>1) Individuals were eligible in accordance with the compliance requirements of the program. (Note: Some programs have initial and continuing eligibility requirements.)</p> <p>2) Benefits paid to or on the behalf of the individuals were calculated correctly and in compliance with the requirements of the program.</p> <p>3) Benefits were discontinued when the period of eligibility expired, or if the person became ineligible.</p>					

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<ul style="list-style-type: none"> <li>e. Review the quality control process and perform tests to ascertain if it is operating to effectively meet the objectives of the process and in compliance with applicable program requirements.</li> <li>2. Group of Individuals or Area of Service Delivery: <ul style="list-style-type: none"> <li>a. Test information used in determining eligibility and determine if the population or area of service delivery was eligible.</li> <li>b. Perform test to determine if: <ul style="list-style-type: none"> <li>1) The population or area served were eligible.</li> <li>2) The benefits paid to or on behalf of the individuals or area of service delivery were calculated correctly</li> </ul> </li> </ul> </li> <li>3. Subrecipients: <ul style="list-style-type: none"> <li>a. If the determination of eligibility is based on an approved application or plan, obtain a copy of the document and identify the applicable eligibility requirements.</li> <li>b. Select a sample of the awards to the subrecipients and perform procedures to verify that the subrecipients were eligible and amounts awarded were within funding limits.</li> </ul> </li> </ul> <p>F. EQUIPMENT AND REAL PROPERTY:</p> <ul style="list-style-type: none"> <li>1. Inventory Management: <ul style="list-style-type: none"> <li>a. Identify equipment acquired under federal awards during the audit period and trace selected purchases to the property records. Verify the property records contain the following information about the equipment: <ul style="list-style-type: none"> <li>1) Description (including serial numbers or other identification numbers).</li> <li>2) Source.</li> <li>3) Title holder.</li> <li>4) Acquisition date and cost.</li> <li>5) Percentage of federal participation in the cost.</li> <li>6) Location.</li> <li>7) Condition.</li> </ul> </li> </ul> </li> </ul>					

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<p>8) Ultimate disposition data, including the date of disposal, sale price or method used to determine fair market value.</p> <p>b. Inquire if a required physical inventory of equipment acquired under federal awards was taken within the last two years. Test whether any differences between the physical inventory and equipment records were resolved.</p> <p>c. Select a sample of equipment identified as acquired with federal awards from the property records and observe the equipment to ensure equipment is appropriately safeguarded and maintained.</p> <p>2. Disposition of Equipment</p> <p>a. Determine the amount of equipment dispositions for the year and identify equipment acquired with federal awards.</p> <p>b. Perform procedures to verify the dispositions were properly reflected in the property records.</p> <p>c. For equipment with a current per-unit fair market value in excess of \$5,000, determine whether the awarding agency was reimbursed for the appropriate federal share.</p> <p>d. For dispositions of equipment acquired under cost-reimbursement contracts, verify the City followed the federal awarding agency disposition instructions.</p> <p>3. Disposition of Real Property:</p> <p>a. Determine real property dispositions for the audit period and identify property acquired with federal awards.</p> <p>b. Perform procedures to verify the City followed the instructions of the awarding agency, which will normally require reimbursement to the awarding agency of the federal portion of net sales or fair market value at the time of disposition, as applicable.</p>					



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<p>G. MATCHING, LEVEL OF EFFORT, EARMARKING:</p> <ul style="list-style-type: none"> <li>• <b><u>Matching</u></b> – includes requirements to provide contributions (usually non-federal) of a specified amount or percentage to match federal awards. Match may be in the form of cash or in-kind contributions.</li> <li>• <b><u>Level of Effort</u></b> – includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-federal or federal sources for specified activities to be maintained from period to period and (c) federal funds to supplement and not supplant non-federal funding of services.</li> <li>• <b><u>Earmarking</u></b> – includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients.</li> </ul> <p>Matching:</p> <ol style="list-style-type: none"> <li>1. Perform test to verify the required matching contributions were met.</li> <li>2. Determine the sources of matching contributions and perform tests to verify they were from an allowable source.</li> <li>3. Test records to corroborate the value placed on in-kind contributions are in accordance with 2 CFR sections 200.306, 200.434 and 200.414, and the terms and conditions of the award.</li> <li>4. Test transactions used to match for compliance with allowable costs/cost principles requirements. This test may be performed in conjunction with the testing of the requirements related to allowable cost/cost principles.</li> </ol> <p>Level of Effort:</p> <ol style="list-style-type: none"> <li>1. Identify the required level of effort and perform tests to verify the level of effort requirement was met.</li> <li>2. Perform tests to verify only allowable categories of expenditures or other effort indicators (e.g., hours, number of people served) were included in the computation and the categories were consistent from year to year.</li> </ol>					

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<p>3. Perform procedures to verify the amounts used in the computation were derived from the books and records from which the audited financial statements were prepared.</p> <p>4. Perform procedures to verify the non-monetary effort indicators were supported by official records.</p> <p>Level of Effort - Supplement not Supplant:</p> <p>1. Determine if the City used federal funds to provide services which it was required to make available under federal, state or local law and were also made available by funds subject to the supplement not supplant requirement.</p> <p>2. Determine if the City used federal funds to provide services which were provided with non-federal funds in prior years.</p> <p>a. Identify the federally funded services.</p> <p>b. Perform procedures to determine whether the federal program funded services that were previously provided with non-federal funds.</p> <p>c. Perform procedures to determine if the total level of services applicable to the requirement increased in proportion to the level of federal contribution.</p> <p>Earmarking:</p> <p>1. Identify the applicable percentage or dollar requirements for earmarking.</p> <p>2. Perform procedures to verify the amounts recorded in the financial records meet the specified requirements (e.g. minimum amounts determine the records show at least the minimum was charged).</p> <p>3. When requirements specify a minimum percentage or amount, select a sample of transactions supporting the specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amount.</p> <p>4. When requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity were not improperly classified in another account. (e.g. If administrative costs are limited to 10%, review other accounts charged to the activity for administrative expense which, if incorrectly coded, would cause the maximum percentage to be exceeded).</p>					

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<p>5. When requirements prescribe the minimum number or percentage of specified types of participants that can be served, select a sample of participants that are counted toward meeting the minimum requirement and perform test to verify that they were properly classified.</p> <p>6. When requirements prescribe the maximum number or percentage of specified types of participants that can be served, select a sample of other participants and perform test to verify that they were not of the specified type.</p> <p>H. PERIOD OF PERFORMANCE:</p> <p>1. Review the award documents and regulations pertaining to the program and determine any award specific requirements related to the period of performance and document the performance period.</p> <p>2. Test a sample of transactions charged to the federal award after the end of the period of performance and verify the underlying obligations occurred within the period of performance and the payment was made within the allowed time period.</p> <p>3. Test selected transactions for the following:</p> <p style="padding-left: 40px;">a. For costs recorded during the beginning of the period of performance, verify costs were not incurred prior to the start of the period of performance unless authorized by the Federal awarding agency or the pass-through entity.</p> <p style="padding-left: 40px;">b. For costs recorded during or near the end of the period of performance, verify obligations occurred within the period of performance.</p> <p>4. Select a sample of adjustments to the federal funds and verify these adjustments were for transactions that occurred during the period of performance.</p> <p>I. PROCUREMENT AND SUSPENSION AND DEBARMENT:</p> <p>1. Obtain the City's procurement policies and verify the policies comply with applicable federal requirements.</p> <p>2. Determine the City has written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts.</p>					

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<p>3. Determine if the City has a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals. If such policy exists, verify these limitations were not applied to federal procurements except where applicable federal statutes expressly mandate or encourage geographical preference.</p> <p>4. Select a sample of procurements and perform the following:</p> <p>a. Examine contract files and verify they document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis of contract price.</p> <p>b. Verify procedures provide for full and open competition.</p> <p>c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and determine if the limitation was justified.</p> <p>d. Examine contract files and determine a cost or price analysis was performed in connection with procurement actions exceeding the simplified acquisition threshold, including contract modifications and the procurement action taken.</p> <p>e. Verify the procurement method used was appropriate based on the dollar amount and conditions specified in 2 CFR section 200.320. The five methods of procurement are as follows:</p> <p>1) Micro-purchases: Less than \$3,000 or \$3,500 effective October 1, 2015 (\$2,000 for purchases subject to the Davis-Bacon Act) – No competitive quotes required. Spread purchases out among qualified suppliers.</p> <p>2) Small purchases: Between \$3,000 and \$150,000 – Rate quotes must be obtained from an “adequate” number of qualified sources. (“adequate” is not specifically defined by The Uniformed Guidance) Quotes can be obtained from suppliers or from public websites.</p>					

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<p>3) Sealed bids: More than \$150,000 (construction projects) – Two or more qualified bidders. Publicly advertised and solicited from adequate suppliers. Lowest responsive and responsible bidder for the fixed price contract wins.</p> <p>4) Competitive proposals: More than \$150,000 – Written policy for conducting technical evaluations of reviewing proposals and selecting the recipient. Most advantageous bid wins, price and other factors considered.</p> <p>5) Sole source: Any amount. Must meet one of the following four requirements:</p> <p>a) Good/service is only available from a single source.</p> <p>b) Only one source can provide the good/service in the time-frame required.</p> <p>c) Written pre-approval from the Federal awarding agency.</p> <p>d) Competition is deemed inadequate after solicitation attempts through one of the other methods.</p> <p>f. Verify consent to subcontract was obtained when required by the terms and conditions of a cost reimbursement contract specified in 48 CFR section 52.244-2.</p> <p>5. Test a sample of procurements and subawards to determine if the City performed a verification check for covered transactions by checking the System for Award Management (SAM) website (<a href="http://www.sam.gov">www.sam.gov</a>), collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.</p> <p>6. Test a sample of procurement and subawards against SAM and determine if contracts or subawards were awarded to suspended or debarred parties.</p>					

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<p>J. PROGRAM INCOME:</p> <ol style="list-style-type: none"> <li>1. Identify any program income. <ol style="list-style-type: none"> <li>a. Review laws, regulations and the provisions of contract and grant agreements applicable to the program and determine if program income was anticipated and, if so, the requirements for recording and using program income.</li> <li>b. Inquire of management and review accounting records to determine if program income was received.</li> </ol> </li> <li>2. Perform tests to verify that program income was properly determined or calculated in accordance with stated criteria and classified as program income only if collected from allowable sources.</li> <li>3. Perform tests to verify all program income was properly recorded in the accounting records.</li> <li>4. Perform tests to determine if program income was used in accordance with the program requirements.</li> </ol> <p>K. RESERVED</p> <p>L. REPORTING:</p> <ol style="list-style-type: none"> <li>1. Review applicable laws, regulations and the provisions of contract and grant agreements pertaining to the program for reporting requirements.</li> <li>2. Determine the types and frequency of required reports.</li> <li>3. Obtain and review federal awarding agency, or pass-through entity in the case of a subrecipient, instructions for completing the reports. <ol style="list-style-type: none"> <li>a. For financial reports, determine the accounting basis used in reporting the data (i.e. cash or accrual).</li> <li>b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.</li> </ol> </li> <li>4. Perform appropriate analytical procedures and determine the reason for any unexpected differences. Examples of analytical procedures include: <ol style="list-style-type: none"> <li>a. Comparing current period reports to prior periods.</li> </ol> </li> </ol>					

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<ul style="list-style-type: none"> <li>b. Comparing anticipated results to the data included in the reports.</li> <li>c. Comparing information obtained during the audit of the financial statements to the report.</li> </ul> <p>5. Select a sample of each of the following report types.</p> <ul style="list-style-type: none"> <li>a. Financial reports: <ul style="list-style-type: none"> <li>1) Determine if the financial reports were prepared in accordance with the required accounting basis.</li> <li>2) Review accounting records and determine if all applicable accounts were included in the sampled reports.</li> <li>3) Trace the amounts reported to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards and verify agreement.</li> </ul> </li> <li>b. Performance reports: <ul style="list-style-type: none"> <li>1) Review supporting records and determine if all applicable data elements were included in the sampled report.</li> <li>2) Trace data to records that accumulate and summarize data.</li> <li>3) Perform tests of the underlying data to verify the data were accumulated and summarized in accordance with the required or stated criteria and methodology.</li> </ul> </li> <li>c. When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to data.</li> <li>d. Test mathematical accuracy of reports and supporting worksheets.</li> </ul> <p>6. Obtain written representation from management the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the federal awarding agency or pass-through entity in the case of a subrecipient.</p>					

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<p>M. SUBRECIPIENT MONITORING:</p> <ol style="list-style-type: none"> <li>1. Review the City's subrecipient monitoring policies and procedures to gain an understanding of the process used to identify subawards, evaluate risk of noncompliance and perform monitoring procedures based upon identified risks.</li> <li>2. Test award documents including the terms and conditions, to determine if the City makes subrecipients aware of the award information sufficient to the City comply with federal statutes, regulations and terms and conditions of the award.</li> <li>3. Review the City's documentation of monitoring to determine if the City's monitoring procedures provide reasonable assurance that subrecipients used federal funds for authorized purposes and complied with laws and regulations, provisions of contracts and conditions of the subaward.</li> <li>4. Determine if the City verifies the subrecipient met the requirement to have an audit performed in accordance with the Uniform Guidance, if applicable and requires subrecipients to take appropriate and timely corrective action on deficiencies identified in audit findings.</li> </ol> <p>N. SPECIAL TESTS AND PROVISIONS:</p> <ol style="list-style-type: none"> <li>1. Review the laws, regulations and provisions of grant and contract agreements to identify special tests and provisions.</li> <li>2. Develop procedures to test these requirements.</li> </ol>					