



13

**Audit
Requirements**

Audit Requirements

You must arrange for the necessary independent financial and compliance audit(s). The audit(s) must cover all expenditures related to the Grant Agreement, and be in compliance with the Agency Procedures, the Single Audit Act of 1984 as amended July 1996; and OMB Circular No. A-133, Single Audit Act Amendments, specific to the VCDP, Code of Federal Domestic Assistance (CFDA) #14.228. See Agency Procedures, Chapter 21, Audit Requirements.

The first consideration related to audits is the proper hiring of an auditor. For procurement requirements, refer to Chapter 6, Procurement. You are required to use this procurement process if the auditor is paid in part or in whole with VCDP funds. HUD limits a contract with an auditor to three years without going to bid again. If your grant requires audit services for a period greater than three years, or you are awarded an additional grant(s), the work needed beyond the three-year period must go out to bid again. The same firm may be rehired if proper procurement practices are followed. A Sample Audit Request for Proposal begins on page 13-7.

The following audit requirements are developed from the Agency's Audit Policy Dated January 1, 2004:

- 1) Expenditures of \$500,000 or greater of federal funds under more than one federal program during a municipality's fiscal year period will require a **single audit**. Eligible cost to the VCDP grant will be limited to a pro rata share of VCDP expenditures to all audited expenditures (federal, state, and local) for the audit period.
- 2) Expenditures of \$500,000 or greater **only** under one federal program (VCDP) during the municipality's fiscal year period will require a **program-specific audit**. The cost of the audit is an eligible VCDP expenditure.
- 3) Expenditures of less than \$500,000 in federal funds during the municipality's fiscal year period, the Agency will conduct a **review of expenditure documentation** at no cost to the grantee.

Please note that threshold numbers are based on expenditures rather than receipt of federal funds and that the lead grantee in a consortium has the responsibility of meeting audit requirements for the grant. Audit requirements and related audit costs should be taken into account when preparing a general administration budget for a VCDP application. Since it is often difficult to determine if a single audit will be required at the time the budget is prepared, the Agency recommends that you budget for a single audit if there is any possibility that a single audit requirement might apply.

Hiring Of Auditor

Single Audit For Expenditures Greater Than \$500,000 From More Than One Federal Program

Program-Specific Audit For Expenditures Greater Than \$500,000 Under One Federal Program

Review Of Expenditure Documentation For Less Than \$500,000

In addition:

- 1) All audits are due to the Agency nine months following the end of your fiscal year.
- 2) You must respond to all VCDP-related findings and internal control weaknesses/ reportable conditions and questioned costs (if any) in the audit report, and submit the response(s) with the audit report.
- 3) The expense of a single audit may not be funded 100% by VCDP grant funds. You will have to pay a portion of the single audit expense. The Single Audit Act allows the percentage of costs charged to VCDP to equal the percentage that the VCDP grant funds expended represent of the total funds expended during your fiscal year. For example, if \$500,000 in VCDP expenditures are audited in a single audit, and \$1,000,000 in total expenditures (including the \$500,000 in VCDP funds but excluding school expenses) are audited, then 50% ($\$500,000/\$1,000,000$) of the audit fee can be paid with VCDP grant funds.

If there is sufficient documentation (such as auditor invoices itemizing hours worked auditing the VCDP grant funds and hours worked auditing other funds) supporting use of VCDP grant funds in an amount exceeding the percentage of VCDP audited expenditures as a proportion of your total audited expenditures, the Agency will allow a greater prorata share.

- 4) If you provide \$500,000 or more of the federal financial assistance you received to a subrecipient/subgrantee during your fiscal year, you must:
 - a) Meet the requirements of the Single Audit Act by determining whether the subrecipient has complied with applicable laws and regulations. This can be accomplished by one of the following three methods:
 - Monitoring by qualified in-house staff;
 - Requiring the subrecipient to have an A-133 Single Audit of the funds; or
 - Extending the scope of your single audit to include the federal funds expended at the subrecipient level.
 - b) Require, through an executed contract, the subrecipient to comply with the requirements of the Single Audit Act. These requirements include:
 - Having a proper audit of the subrecipient conducted under the requirements of OMB Circular A-133.
 - Ensuring, through the contract with the subrecipient, that the subrecipient will permit independent auditors to have access to the records and financial statements, as necessary, to comply with the Single Audit Act.

**VCDP Pro Rata
Share Of
Audit Costs**

**Subrecipient
Audit
Requirements**

Please note that VCDP funds cannot be used for both the recipient's and the subrecipient's audit. A coordinated approach should be taken so that the grantee's auditor can rely on the work of another auditor for the subrecipient.

VCDP grant funds cannot be used to pay for a single audit that is not in compliance with all requirements of the Single Audit Act, OMB Circular A-133 and Agency Procedures, Chapter 21, that impact the VCDP grant project(s). The type of audit required and its due date are based on a number of factors, including the amount of federal funds you have expended and your fiscal year. Contact the Agency to be sure the correct audit report is being planned.

The Department of Finance and Management will provide the following forms that the Grantee shall submit: the "Certification of Audit Requirement", and if no Single Audit required the "Subrecipient Schedule of Federal Expenditures", to the Department of Finance and Management, 109 State Street, Montpelier, Vermont 05609 at the end of each fiscal year for the duration of the Grant Agreement. (See sample documents on the next two pages, and for further information on these forms go to <http://finance.state.vt.us/Bulletin5Forms.htm>)

In a consortium grant, the Lead Grantee is the only municipality subject to audit requirements. It is suggested that participating grantees share in the cost of a single audit report not chargeable to the grant, since the Lead Grantee must pay this cost.

Be sure to hire an auditor familiar with the requirements of the Single Audit Act of 1984 as amended July 1996. Money saved on an audit fee will be lost later due to time spent resolving audit issues arising from improper audits due to lack of experience of an auditor in conducting single audits.

**Audit Of
Consortium
Grantees**

**Hire An Auditor
Familiar With
The Single
Audit Act Of
1984 As
Amended
July 1996**

**STATE OF VERMONT
CERTIFICATION OF AUDIT REQUIREMENT**

Pursuant to OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", a subrecipient that expends \$500,000 or more in federal assistance during its fiscal year is required to have a single audit conducted in accordance with the Single Audit Act, except when it elects to have a program specific audit.

The subrecipient may elect to have a program specific audit if it expends funds under only one federal program and the federal program's laws, regulations or grant agreements do not require a financial statement audit of the entity.

A subrecipient is exempt from having a Single Audit if the entity expends less than \$500,000 in total federal assistance in its fiscal year. If the subrecipient is not required to have a single audit a **Subrecipient Schedule of Federal Expenditures** must be completed and be submitted with this form.

SUBRECIPIENT NAME: _____ VENDOR NUMBER: _____

ADDRESS: _____

FISCAL YEAR: _____

REQUIRED TO HAVE A SINGLE AUDIT: YES _____ NO _____

If a single audit is required, it must submit a copy of it to the State within nine (9) months after its year-end. The State of Vermont will assign a Primary Pass-Through Entity and that entity will notify the subrecipient of that assignment. The subrecipient will submit its audit to that entity as well as any other pass-through entity that requests it. Do not submit a copy of the single audit report with this form, or directly to the Department of Finance and Management.

This form must be completed by the Chief Financial Officer, Business Manager, Treasurer, or other person responsible for the financial records of the organization. (Under normal circumstances, it should not be completed by the program manager.) Completed forms are required annually, within forty-five (45) days after the end of the organization's fiscal year.

Submit to:
Department of Finance and Management
133 State Street
Montpelier, VT 05633-5901.

I certify that the above information is correct:

Name: _____ Title: _____

Signature: _____ Date: _____

**STATE OF VERMONT
SUBRECIPIENT SCHEDULE
OF FEDERAL EXPENDITURES**

SUBRECIPIENT NAME: _____ VENDOR NUMBER: _____

ADDRESS: _____

FISCAL YEAR _____

CFDA Number	Awarding Agency	Grant Number	Expenditures
Total			

1. **Fiscal Year:** The subrecipient's fiscal year covered by this report.
2. **CFDA number:** The Catalog of Federal Domestic Assistance identification number.
3. **Awarding Agency:** The federal, state, or other pass-through entity awarding funds to this subrecipient.
4. **Grant Number:** The number assigned by the awarding agency to identify specific grant awards.
5. **Expenditures:** Expenditure/expense transactions associated with carrying out the requirements of the federal grant, regardless of whether or not reimbursement has been made by the granting agency. Include, in schedule or notes, the value of federal awards expended for non-cash assistance.

Complete one form for each organization, including all federal funds expended by the organization. List each grant award separately, attaching a separate sheet if more lines are needed.

This form is required only from those subgrantees not requiring a single audit. It should be completed once annually for all federal grant expenditures incurred by the organization at the conclusion of its fiscal year. This form must be completed by the Chief Financial Officer, Treasurer, Business Manager, or other person responsible for the financial records of the organization.

Attach to the Certification of Audit Requirement and mail to:
Department of Finance & Management
133 State Street
Montpelier, VT 05633-5901

I certify that the above information is correct:

Name: _____ Title: _____

Signature: _____ Date: _____