

mississippi development authority



# AUDITS

**Policy and Procedures**

**Community Services Division**



**2013**

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### Attachments

OMB Circular A-133  
Funding Certification Form  
SF-SAC Form



## Mississippi Development Authority

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## Introduction

The Mississippi Development Authority (MDA), Community Services Division (CSD) has the responsibility to assure recipients of federal funds adhere to the Audit requirements set forth at OMB Circular A-133. Audit requirements for entities receiving federal funds are governed by the United States Office of Management and Budget (OMB). The OMB issued Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, which provides the specific audit requirements for entities receiving federal funds.

Audits are a critical component of any financial management system and the MDA/CSD emphasizes the significance of audits. Regardless of the type or size of the entity, an effective audit can improve management operations and yield significant dollar savings.

This Audit Policy and Procedures Guidebook is intended to summarize and serve as a guide for audit submission to MDA/CSD. It is not all-inclusive. For specific compliance requirements, please refer to OMB-A-133. A copy A-133 is attached within this policy guide.

**Please Note: Failure to submit information requested by the required due dates may include sanctions such as, suspending payments until the Audit is received and eligibility for future funding.**

*All forms attached with this document can be downloaded from [www.mississippi.org/csd](http://www.mississippi.org/csd). Scroll down to Federal Funded Projects Compliance Guidance and Forms and click on the Audits Link.*



## Glossary of Terms

**Auditee** - means any non-Federal entity that expends Federal awards which must be audited under this part.

**Auditor** means an auditor that is a public accountant or a Federal, State or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS).

**Audit finding** means deficiencies which the auditor is required to report in the schedule of findings and questioned costs.

**CFDA number** means the number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA).

**Federal award** means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Any audits of such vendors shall be covered by the terms and conditions of the contract. Contracts to operate Federal Government owned, contractor operated facilities (GOCOs) are excluded from the requirements of this part.

**Federal awarding agency** means the Federal agency that provides an award directly to the recipient.

**Federal financial assistance** means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

### **Federal program means:**

- (1) All Federal awards to a non-Federal entity assigned a single number in the CFDA.
- (2) When no CFDA number is assigned, all Federal awards from the same agency made for the same purpose should be combined and considered one program.
- (3) Notwithstanding paragraphs (1) and (2) of this definition, a cluster of programs. The types of clusters of programs are:
  - Research and development (R&D);
  - Student financial aid (SFA); and
  - "Other clusters," as described in the definition of cluster of programs in this section.



**GAGAS** means generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits. Generally accepted accounting principles has the meaning specified in generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA).

**Indian tribe** means any Indian tribe, band, nation, or other organized group or community, including any Alaskan Native village or regional or village corporation (as defined in, or established under, the Alaskan Native Claims Settlement Act) that is recognized by the United States as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.

**Local government** means any unit of local government within a State, including a county, borough, municipality, city, town, township, parish, local public authority, special district, school district, intrastate district, council of governments, and any other instrumentality of local government.

**Non-Federal** entity means a State, local government, or non-profit organization.

**Non-profit organization** means: any corporation, trust, association, cooperative, or other organization that:

- Is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;
- Is not organized primarily for profit; and
- Uses its net proceeds to maintain, improve, or expand its operations; and (2) The term non-profit organization includes non-profit institutions of higher education and hospitals.

**OMB** means the Executive Office of the President, Office of Management and Budget.

**Oversight agency for audit** means the Federal awarding agency that provides the predominant amount of direct funding to a recipient not assigned a cognizant agency for audit. When there is no direct funding, the Federal agency with the predominant indirect funding shall assume the oversight responsibilities.

**Pass-through entity** means a non-Federal entity that provides a Federal award to a sub-recipient to carry out a Federal program.

**Program-specific** audit means an audit of one Federal program.



**Questioned cost** means a cost that is questioned by the auditor because (1) Which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds; (2) Where the costs, at the time of the audit, are not supported by adequate documentation; or (3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

**Recipient** means a non-Federal entity that expends Federal awards received directly from a Federal awarding agency to carry out a Federal program.

**Single audit** means an audit which includes both the entity's financial statements and the Federal awards.

**State** means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the

**Sub-recipient** means a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program, but does not include an individual that is a beneficiary of such a program. A sub-recipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

**Vendor** means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program.



## **WHAT IS AN AUDIT**

An audit is an official examination and verification of accounts and records. Audits are an important part of effective financial systems, as they produce useful financial reports and verify the reliability of a Sub-recipient's financial management systems. Only an independent CPA, with a current license to practice in Mississippi or the State of Mississippi Auditor Offices can perform an audit.

## **THE AUDIT PROCESS**

In procuring audit services, the Sub-recipient should follow the procurement standards set forth at 24 CFR 85 for local units of government and 24 CFR 84 for Non-Profit Agencies, Community Housing Development Organizations (CHDO's). The Sub-recipient should ensure that the auditor is knowledgeable about specific accounting requirements that apply to local government. The use of a Request for Proposal 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. Additional information should be obtained 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.

**Please note that it is the Sub-recipients responsibility to ensure that the Auditor conducting the Audit is eligible to participate in federally funded programs. Auditor selection can be verified by going to [www.sam.gov](http://www.sam.gov) where debarment and eligibility information can be determined.**

All audits conducted in accordance with OMB A-133 must be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by Government Accounting Office (GAO). According to the GAO standards, a financial audit should determine whether:

- Financial information is presented in accordance with established or stated criteria;
- The entity has adhered to specific financial compliance requirements; or
- The entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve control objectives.



## **AUDIT REQUIREMENTS**

There are both Federal and State requirements for audits. OMB Circular A-133 provides Federal Requirements for audits of governmental entities and nonprofit organizations. There are differences between both State and Federal requirements; however, cities, counties, towns, villages, etc., are required to follow both laws. Failure to comply with the audit requirements can jeopardize the Sub-recipient's ability to draw grant funds for active funded projects and the ability to receive future grant funding from CSD.

### ***Federal Requirements***

The type and level of audit required by OMB Circular A-133 is based on the amount of Federal funds expended by an organization in a given fiscal year. Federal awards include financial assistance provided by the Federal government to the entire organization in the form of grants, loans, property, contracts, loans guarantees, etc. Organizations that have expended more than \$500,000 in Federal funds within a fiscal year are required to have an A-133 audit conducted.

A **single audit** is an audit that includes both an entity's financial statements and its Federal awards (from all applicable Federal programs). If an organization expends less than \$500,000 a year in Federal funds, it is exempt from the Federal audit requirements for that year; however, financial records must be made available if requested.

### ***CSD Requirements***

If a Sub-recipient expended less than \$500,000 in total cumulative Federal funds within their fiscal year, a MDA Funding Certification Form (for that fiscal year only) shall be submitted to the Compliance Bureau. The Certification Form is included as an attachment within this guide and at [www.mississippi.org/csd](http://www.mississippi.org/csd).



## AUDIT SUBMISSION REQUIREMENTS

The submission of all audit information is the responsibility of the Sub-recipient. It is also the Sub-recipient responsibility to stay informed of all audit requirements and to ensure that completed audit reports are submitted to the Community Services Compliance Bureau and the appropriate offices on a timely basis.

### ***Federal Submission Requirements***

Under OMB Circular A-133, audits must be completed within nine months from the end of the fiscal year. The audit shall be completed and the data collection form and reporting package shall be submitted by the earlier date of either 30 days after receipt of the auditor's report(s), or nine months after the end of the fiscal year end date, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The Sub-recipient should also forward one copy to CSD Compliance Bureau.

### **All A-133 Audits must be submitted online to:**

Federal Audit Clearinghouse  
1201 E 10th Street  
Jeffersonville, IN 47132

<https://harvester.census.gov/fac/collect/ddeindex.html>

#### Instructions:

1. Create your online report ID click on "Enter New Form"
2. Complete the Form SF-SAC
3. Upload the Single Audit
4. Certify the Submission
5. Click "Submit."

### ***CSD Submission Requirements***

Where audits have been completed per A-133 requirements, all Sub-recipients must submit a copy of the audit to CSD no later than nine months following the end of the Sub-recipient's fiscal year. All Sub-Recipients must be mindful of CSD grant application deadlines. It is the responsibility of the Sub-recipient to ensure that all required documentation is submitted to CSD timely. CSD recommends that the Sub-recipient follow-up with the Auditor regarding important deadlines that may affect potential CSD funding.



## THE AUDIT

Completed audits must be received by the Community Services Division Compliance Bureau the earlier of **30** days after the entity receives the auditor's report or nine months after the end of the audit fiscal year. For example, an entity with a September 30 fiscal year-end date would be required to submit the audit **30** days from when the audit is received, but no later than nine months after the entity's year-end or June 30 of the following year. If an audit is not received by the appropriate date, the Compliance Bureau will consider sanctions such as:

- Suspending payments until the audit is submitted;
- Eligibility for future funding at threshold review.

Audits must be conducted in accordance with Generally Accepted Government Auditing Standards and OMB Circular A-133. The auditor's responsibilities are described in Subpart E. Program-specific audit requirements are found in A-133.235. The appropriate CFDA number must be used in the Schedule of Expenditures of Federal Awards, 14.228 for CDBG, 14.239 for HOME and 14.257 for ESG. The Programs 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. Auditee is responsible for resolving all audit findings. All unresolved audit findings may affect future grant funding.

Upon completion of the audit each entity must:

- a. Submit a copy of the single audit to the CSD Compliance Bureau;
- b. Submit to the Federal Clearinghouse identified in A-133, 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 Community Services Division come to the entity as pass-through awards, not directly from the United States Department of Housing and Urban Development). The SF-SAC Form is included as an attachment to this guide.

### **The Audit Report should include the following:**

- ❖ OMB Circular A-133 requires that audit reports issued upon completion of an audit include:



- ❖ An opinion as to whether financial statements are presented fairly in all material respects in accordance with General Accepted Accounting Principles (GAAP) or some other acceptable basis of Accounting adopted by the entity.
- ❖ An opinion as to whether the schedule of expenditures is presented fairly in all material respects in relation to the financial statements taken as a whole.
- ❖ A report on internal controls related to financial statements and major programs.
- ❖ A report on compliance with laws, regulations, and the provisions of contracts or grant agreements Noncompliance with which could have material effect on the financial statements.
- ❖ An opinion as to whether the Auditee organization has complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.
- ❖ A schedule of findings and questioned costs, which include a summary of the auditor's results and all "audit findings."

**The summary of audit results must include:**

- ❖ Type of report the auditor issued on financial statements;
- ❖ A statement that significant deficiencies in internal controls were disclosed by the audit (where applicable); of Financial statements and whether such conditions were material weaknesses;
- ❖ Statement on whether the audit disclosed any noncompliance which is material to the Auditee financial statements;
- ❖ Statement that significant deficiencies in internal control over major programs were disclosed and whether such conditions were material weaknesses;
- ❖ Type of report the auditor issued on compliance for major programs;
- ❖ Statement as to whether the audit disclosed any "audit findings";
- ❖ Identification of major programs;
- ❖ Dollar threshold used to distinguish between type A and type B programs; and
- ❖ Statement as to whether the Auditee qualifies as a low-risk organization.



## **NOTIFICATION OF ANNUAL AUDIT**

CSD will notify all Sub-recipients by mail of Audit submittal deadlines. Audits with expenditures below the threshold limit to meet the Single Audit Act Requirements will receive a request by mail for a Funding Certification Form to be completed listing all Federal dollars expended within the Sub-recipient's fiscal year.

The purpose of reviewing Audits and Funding Certification forms is to verify payments with CSD records and disclose any findings or questioned cost that may affect eligibility for grant funding. When an audit discloses findings, the Sub-recipient is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the Sub-recipient shall prepare a summary schedule of prior audit findings. The Sub-recipient shall also prepare a corrective action plan for current year audit findings which shall be included with the Audit.

Once the Audit information receives a 1<sup>st</sup> and 2<sup>nd</sup> level review, the Sub-recipient is notified by mail that the review of their audit or exemption form did not disclose any issues concerning the reporting of Federal funds through the Community Service Division. Sub-recipients who are only submitting a Funding Certification form must keep in mind that it does not exempt them from any other requirements of audit or financial statements as requested by MDA or any other State or Federal Authority.

**Please Note: Failure to submit information requested by the required due dates may include sanctions such as, suspending payments until the Audit is received and eligibility for future funding.**



## **CSD INTERNAL AUDIT PROCEDURES**

### **NOTIFICATION PROCESS**

CSD will notify all Sub-recipients by mail of Audit submittal deadlines. All Sub-recipients with expenditures below the \$500,000 threshold will receive a request by mail for a Funding Certification Form. All Sub-recipients with expenditures above the \$500,000 threshold will receive a request by mail for a single Audit. As a courtesy, six (6) months after the initial request from CSD, Sub-recipients will receive a reminder letter of audit submittal due dates if the initial requested information has not been received. Once the audit submittal deadline has past, the Sub-recipients will be notified by letter, of their past due status. The past due letter will inform the Sub-recipient that a failure to submit the information requested may include sanctions such as, suspending payments until the Audit is received and eligibility for future funding. All Sub-recipients will be reminded of the Audit Process and Audit Requirements at all MDA workshops, sponsored trainings and CSD instructions.

### **THE REVIEW PROCESS**

A Desk Review will be performed on all Audits received, using a Desk Review Checklist to determine if OMB Circular A-133 requirements have been met. In the event, where an audit discloses findings, the Sub-recipient is responsible for follow-up and corrective actions on all audit findings. CSD will ensure that a summary schedule of prior audit findings and/or a corrective action plan for current year audit findings is included with the Audit.

If an Audit is received and it is determined that it is not a single audit, Sub-recipients are notified that an acceptable funding certification form is required.

Once Audits and Funding Certification Forms receive a 1<sup>st</sup> and 2<sup>nd</sup> level review, the Sub - recipient is notified by mail that the review of their audit or exemption form is acceptable or unacceptable. Should the review be deemed unacceptable, CSD will notify the Sub-recipient by mail with an explanation and the corrective measures that should be taken to correct the discrepancy. All completed audits will be filed by year in the Audit filing system.

