|  |
| --- |
| Appendix C – Checklist for Review of CDBG Financial Management and Audits |
| Name of Grantee: |
| Name of Subrecipient (if applicable): |
| Grant Numbers and/or Program Income Reviewed: |
| Staff Consulted: |
| Name(s) of Reviewer(s) |  | Date |  |

**NOTE: All questions that address requirements contain the citation for the source of the requirement. If the requirement is not met, the reviewer must make a “finding” of noncompliance.** Questions that do not contain the citation for the requirement do not address requirements but are included to assist the reviewer in understanding the Grantee’s program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a "finding.”

**Instructions:** Sections A- H covers the Grantee's compliance with 2 CFR Part 200. Section I summarizes the reviewer’s determinations regarding the Grantee’s need for technical assistance and/or training in this program function.

## Financial Management

**Review Documents:** The reviewer should request the documents listed below or equivalent documentation.

* Financial Management Polices/Procedures
* General Ledger
* Sample of accounting entries with all source documentation
* Property Inventory Ledger or similar

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1** | Are the Grantee’s accounting records sufficient to generate: * reports required by Standard Agreement terms and conditions;

and,* documents that demonstrate that expenditures have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award? **2 CFR 200.302(a)**
 |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **2** | Do the Grantee's accounting records include identifiers for federal funds, such as: * the Catalog of Federal Domestic Assistance (CFDA) title and number,
* HCD Standard Agreement number, and
* HCD as the awarding agency.

(This requirement will most likely be addressed in the chart of accounts. This information can be obtained from HCD and is contained within your award files and Standard Agreements)**2 CFR 200.302(b)(1)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **2a** | Do the Grantee’s accounting records contain information on HCD grant awards, authorizations, obligations, unobligated balances, assets, expenditures, program income, and interest?**2 CFR 200.302(b)(2).** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion (2 and 2a):**  |
| **2b** | Does the Grantee maintain adequate source documentation? Select a sample of accounting entries and determine whether they are supported by invoices, contracts, or purchase orders, etc. (Describe the sample and documentation below.)**2 CFR 200.302(b)(3).** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **2c** | Does the Grantee maintain adequate control over all funds, property, and other assets to ensure they are used solely for authorized purposes? (Grantee must have a system in place to track assets and the associated compliance period, including actions for non-compliance. Obtain a copy of the policy and procedures.)See questions below that are related to internal controls.**2 CFR 200.302(b)(4).** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **2d** | Does the Grantee’s financial management system provide for comparison of expenditures with budget amounts for each HCD award?**NOTE:**. It is necessary to establish a budget and enter it into the financial management system at the beginning, so that you can compare the budget to the actual expenditures. **2 CFR 200.302(b)(5);** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **2e** | Does the Grantee’s financial management system provide for comparison of expenditures with budget amounts for each HCD award?**NOTE:** It is necessary to establish a budget and enter it into the financial management system at the beginning, so that you can compare the budget to the actual expenditures. **2 CFR 200.302(b)(5);** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |

## Internal Controls

The Grantee must establish and maintain effective internal control over the award of federal funds that provides reasonable assurance that the Grantee is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (known as the "Green Book") or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Review Documents:** The reviewer should request the documents listed below or equivalent documentation. Documents are not “required” and other supporting documentation may be provided by the Grantee.

* Financial Management Policies/Procedures
* Organizational Chart
* Job Descriptions, Appendix 6-1 Financial Management Responsibilities, or similar
* Personally Identifiable Information (PII) Policy

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1a** | Has the Grantee performed a self-assessment of its internal control system? |  |  |  |  |  |  |  |
|  | Yes |  | No |  |  |  |
| **Describe Basis for Conclusion:**  |
| **1b** | Does the Grantee have an organization chart that sets forth the actual lines of responsibility for HCD awards? Obtain a copy of the organizational chart. |  |  |  |  |  |  |  |
|  | Yes |  | No |  |  |  |
| **Describe Basis for Conclusion:**  |
| **1c** | Are duties and responsibilities segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? For example, do the Grantee’s procedures preclude one person from issuing purchase orders, receiving merchandise, and approving payment vouchers? |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **1d** | Does the Grantee take reasonable measures to safeguard protected personally identifiable information (PII) and other information that HUD or HCD designates as sensitive, or the recipient considers sensitive, consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality? Verify whether the Grantee has a written policy on protecting PII and other information and note below. Obtain a copy of any written policies.**2 CFR 200.303(e)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |

## Payments and Financial Reporting

**Review Documents:** The reviewer should request the documents listed below or equivalent documentation.

* Request for Reimbursement
* Warrant issued by HCD
* Bank Deposit for Warrant
* Copy of Disbursement (check, ACH, etc.)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1** | Does the Grantee have a policy in place to minimize the time elapsing between the receipt of federal funds and the disbursement of funds, including the disbursement of program income prior to the request for additional federal funds? (Must review a copy of a Warrant issued by HCD and a correlated Grantee’s payment.)**2 CFR 200.302(b)(6), 2 CFR 200.305(b), 2 CFR 200.305(b)(5)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |  |  |
| **Describe Basis for Conclusion:**  |

## Improper Payments

**Review Documents:** The reviewer should request the documents listed below or equivalent documentation. Reviewer should request a random sample of 3-5 HCD-issued warrants and source documentation for review.

* Request for Reimbursement
* Warrant Issued by HCD
* Bank Deposit for Warrant
* Copy of Disbursement (check, ACH, etc.)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1a** | Does a review of program expenditures show that no improper payments were made? (Results from other checklists can be included here.)NOTE: Improper payments means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements and includes payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper. |  |  |  |  |  |  |  |
|  | Yes |  | No |  |  |  |
| **Describe Basis for Conclusion:**  |
| **1b** | If the Grantee discovered that improper payments were made, did the Grantee take appropriate corrective action(s)?**2 CFR 200.303(d);**  |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |

## Program Income

**Review Documents:** The reviewer should request the documents listed below or equivalent documentation. Prior to monitoring, the monitor should review the Program Income reports submitted by the Grantee in the Grants Network portal.

* Program Income Ledger/Revenue Account
* Subrecipient contracts, if applicable
* Subrecipient Program Income reports, if applicable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1** | If revenue-generating activities are being undertaken (e.g., homebuyer loans, rehabilitation loans, economic development loans), has the grantee established revenue accounts in its accounting records to record program income?**2 CFR 200.332; 2 CFR 200.302(b)(3); CDBG: 24 CFR 570.489(e), 24 CFR 570.489(m)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **2a** | Does the Grantee have a system for tracking program income generated by subrecipients?**2 CFR 200.302(b)(4); 24 CFR 570.489(e)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **2b** | If program income is retained by the subrecipient, does the Grantee have a system for ensuring that such income is reported in a timely and accurate manner?**2 CFR 200.302(b)(4); 24 CFR 570.489(e)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **2c** | Upon expiration of any agreements between the Grantee and its subrecipients, does the Grantee have a system for ensuring:* 1. the timely transfer of any funds required to be returned to the Grantee; and/or
	2. the timely transfer of outstanding loans or accounts receivable?

**2 CFR 200.302(b)(4); 24 CFR 570.489(e)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **3** | Does the Grantee comply with the requirements governing the reporting on receipt and use of program income?**2 CFR 200.302(b)(2); 24 CFR 570.489(e); HCD Program Income Policy** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |

## Period of Performance

**Review Documents:** The reviewer should request the documents listed below or equivalent documentation.

* Standard Agreement – review for period of performance (including any modifications), national objective, and eligible activities
* Subrecipient Agreement, if applicable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1** | Has the Grantee charged to the HCD grant only allowable costs (as described in the Standard Agreement and amendments) incurred during the period of performance and authorized pre-award costs?**24 CFR 570.482; 2 CFR 200 Subpart E** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |  |  |
| **Describe Basis for Conclusion:**  |

## Record Retention and Access

**Review Documents:** The reviewer should request a sample of documents from all Grants made by HCD that are currently open with HUD.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1** | Does the Grantee comply with the record retention and access requirements of 24 CFR 570.489(d) as outlined in the Standard Agreement? NOTE: Record retention for the State CDBG Program is 3 years after HCD has closed the program year (annual allocation) with HUD from which the funds were awarded.**24 CFR 570.490(d)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |  |  |
| **Describe Basis for Conclusion:**  |

## Audit Requirements

**Instructions:** A Grantee or subrecipient that expends $750,000 or more in Federal awards during the entity’s fiscal year must have a single or program-specific audit conducted for that year in accordance with the provisions of Subpart F, Audit Requirements. Grantees that provide Federal awards to subrecipients are referred to as “pass-through entities.” A subrecipient must also have a single or program-specific audit if it meets the $750,000 expenditure threshold. Pass-through entities (including HCD) are required by 2 CFR 200.331 to ensure compliance with Subpart F.

A Grantee or subrecipient that expends less than $750,000 in Federal awards during the entity's fiscal year is exempt from audit requirements for that year, except as noted in 2 CFR 200.503.

This section of questions is designed to assist the reviewer in determining whether the Grantee/subrecipient is in compliance with the required elements of an audits management system.

**Review Documents:**

* Subrecipient Agreement, if applicable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1** | Does the Grantee (or any of its subrecipients) meet the annual expenditure threshold ($750,000) requiring a single annual audit or program-specific audit conducted? If “no,” skip to Section I: Summary. |  |  |  |  |  |  |  |
|  | Yes |  | No |  |  |  |
| **Describe Basis for Conclusion:**  |
| **2a** | Did the Grantee and/or Subrecipient procure or arrange for the audit services in accordance with the procurement standards at 2 CFR 200.317 – 200.326?**2 CFR 200.508(a) and 2 CFR 200.509; 24 CFR 570.489(n);** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |  |  |
| **Describe Basis for Conclusion:**  |
| **2b** | Did the request for proposal for audit services clearly state the objectives and scope of the audit and request a copy of the audit organization’s peer review report which the auditor is required to provide under Generally Accepted Government Auditing Standards (GAGAS)?**2 CFR 200.509(a); CDBG: 24 CFR 570.489(n)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **2c** | Did the factors to be considered in evaluating the proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price?**2 CFR 200.509(a); 24 CFR 570.489(n)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **2d** | Did the Grantee/Subrecipient make positive efforts to utilize small businesses, minority-owned firms, and women’s business enterprises, in procuring audit services, as stated in2 CFR 200.321.?**2 CFR 200.509(a); 24 CFR 570.489(n)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **3** | Did the Grantee/Subrecipient prepare financial statements, including the schedule of expenditures of Federal awards, required by 2 CFR 200.510?**2 CFR 200.508(b); CDBG: 24 CFR 570.489(n)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **4** | Did the Grantee/Subrecipient promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with 2 CFR 200.511(b) and 2 CFR 200.511(c), respectively?**2 CFR 200.303(d) and 2 CFR 200.508(c); 24 CFR 570.489(n)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **5** | Did the Grantee/Subrecipient electronically submit to the Federal Audit Clearinghouse the data collection form described in 2 CFR 200.512(b) and reporting package described in 2 CFR 200.512(c) within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period?**2 CFR 200.512(a) and (d); 24 CFR 570.489(n)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  |   |  |
| **Describe Basis for Conclusion:**  |
| **6a** | Did the Grantee inform subrecipients of the Subpart F audit requirements at the time of the subaward?**2 CFR 200.331(a)(2); CDBG: 24 CFR 570.489(m)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **6b** | Has the Grantee verified that each subrecipient has been audited in each fiscal year when:* the total Federal awards expended by the subrecipient equaled or exceeded $750,000, and
* Federal funds awarded by HCD were expended.

**2 CFR 200.331(f); CDBG: 24 CFR 570.489(m)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **6c** | Has the Grantee ensured that the subrecipients take timely and appropriate action on all deficiencies pertaining to HCD awards provided to subrecipients that were detected through audits, on-site reviews, and other means?**2 CFR 200.331(d)(2); CDBG: 24 CFR 570.489(m)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **6d** | Has the Grantee issued a management decision for audit findings that relate to HCD awards that it makes to subrecipients?**2 CFR 200.331(d)(3); 24 CFR 570.489(m)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **7** | Has the Grantee ensured that the HCD award is charged no more than a reasonably proportionate share of the costs of audits required by, and performed in accordance with, Subpart F? **2 CFR 200.425(a); CDBG: 24 CFR 570.489(p)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **8** | When a Grantee or subrecipient expends Federal awards under only one Federal program and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the Grantee/Subrecipient, the Grantee/Subrecipient may elect to have a program-specific audit conducted in accordance with 2 CFR 200.507. When a program-specific audit is elected for a HUD program, the Grantee/Subrecipient and auditor must have basically the same responsibilities for the Federal program as they would have for an audit of a major program in a single audit. Answer the following questions if the Grantee or subrecipient have elected to have a program-specific audit performed. |
| **8a** | Has the auditee prepared the financial statement(s) for the HUD program that includes, at a minimum, a schedule of expenditures of Federal awards for the program and notes that describe the significant accounting policies used in preparing the schedule, a summary schedule of prior audit findings consistent with the requirements of 2 CFR 200.511(b), and a corrective action plan consistent with the requirements of 2 CFR 200.511(c) for any deficiencies identified?**2 CFR 200.507(b); 24 CFR 570.489(n)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |
| **8b** | Did the auditee electronically submit to the Federal Audit Clearinghouse the reporting package required by 2 CFR 200.507(c)(3) and the data collection form prepared in accordance with 2 CFR 200.512(b) within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period?**2 CFR 200.507(c); CDBG; 24 CFR 570.489(n)** |  |  |  |  |  |  |  |
|  | Yes |  | No |  | N/A |  |
| **Describe Basis for Conclusion:**  |

1. **Summary**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1**  | Based on your review of the Grantee’s performance, is there a need for technical assistance concerning financial management for federal programs? (If yes, describe the need(s) below.)  |   |   |   |   |   |   |   |
|   | Yes  |   | No  |   |    |   |
| **Describe Basis for Conclusion:**   |