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# Illustrations of compliance findings in single audit reports of local governmental units : a survey of reporting under the Single Audit Act of 1984 and OMB circular A-128; Financial report survey, 43

Joseph J. Soldano

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**Financial Report Survey**  
**May 1991**

# **Illustrations of Compliance Findings in Single Audit Reports of Local Governmental Units**

**A Survey of Reporting Under the Single Audit Act of 1984 and OMB Circular A-128**

**Joseph J. Soldano, Jr., CPA**

**AICPA**  
American Institute of Certified Public Accountants

May 1991

Illustrations of Compliance Findings in Single Audit Reports of Local Governmental Units

AICPA

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**Financial Report Survey  
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**Illustrations of Compliance  
Findings in Single Audit  
Reports of Local  
Governmental Units**

**A Survey of Reporting Under the Single  
Audit Act of 1984 and OMB Circular A-128**

**Joseph J. Soldano, Jr., CPA**

**American Institute of Certified Public Accountants**

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## **PREFACE**

This publication is part of a series produced by the Institute's staff through use of the Institute's National Automated Accounting Research System (NAARS). The purpose of the series is to provide interested readers with examples of the application of technical pronouncements. It is believed that those who are confronted with problems in the application of pronouncements can benefit from seeing how others apply them in practice.

It is the intention to publish periodically similar compilations of information of current interest dealing with aspects of financial reporting.

The examples presented were selected from over 500 local governmental unit annual reports stored in the NAARS computer data base.

This compilation presents only a limited number of examples and is not intended to encompass all aspects of the application of the pronouncements covered in this survey. Individuals with special application problems not illustrated in the survey may arrange for special computer searches of the NAARS data banks by contacting the Institute.

The views expressed are solely those of the staff.

**Richard D. Walker**  
Director, Information Technology

## TABLE OF CONTENTS

	<i>Page</i>
<b>CHAPTER I SCOPE AND PURPOSE OF THE SURVEY</b> .....	1
Source of Illustrations .....	1
<b>CHAPTER II OVERVIEW OF THE SINGLE AUDIT ACT OF 1984</b> .....	3
Introduction .....	3
Scope and Performance .....	4
Reporting Requirements .....	5
Major Federal Assistance .....	6
Internal Accounting and Administrative Controls Used in Administering Federal Financial Assistance Programs .....	7
Financial and Regulatory Compliance Requirements .....	7
Subrecipients .....	9
Comments .....	9
<b>CHAPTER III COMPLIANCE FINDINGS AND QUESTIONED COSTS BY FEDERAL                   AGENCY/DEPARTMENT</b> .....	11
Department of Agriculture .....	11
Department of Commerce .....	19
Department of Education .....	20
Department of Energy .....	27
Environmental Protection Agency .....	29
Department of Health and Human Services .....	36
Department of Housing and Urban Development .....	62
Department of Justice .....	111
Department of Labor .....	113
Department of Transportation .....	125
Department of the Treasury—Revenue Sharing .....	139
<b>APPENDIX A INTRODUCTION TO THE GOVERNMENTAL UNIT ANNUAL                   REPORT FILE</b> .....	145
<b>APPENDIX B SINGLE AUDIT ACT OF 1984</b> .....	161

<b>APPENDIX C</b>	<b>OMB CIRCULAR A-128: AUDITS OF STATE AND LOCAL GOVERNMENTS .....</b>	<b>169</b>
<b>APPENDIX D</b>	<b>SINGLE AUDIT REFERENCE MATERIAL .....</b>	<b>181</b>
<b>APPENDIX E</b>	<b>EXAMPLES OF COMPLIANCE REPORTS .....</b>	<b>187</b>



# I

## SCOPE AND PURPOSE OF THE SURVEY

This survey is primarily intended to help auditors of local governmental units prepare a schedule of compliance findings and questioned costs for federal financial assistance programs. Reports required by the Single Audit Act of 1984 (the "Act") and an overview of the Act are discussed in chapter 2.

A compliance finding is defined as a noncompliance with laws and regulations. *Government Auditing Standards* defines noncompliance with laws and regulations as "a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grants, and binding policies and procedures governing entity conduct."

The AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units* defines questioned costs as costs "that, in the opinion of the auditor, may not comply with or may not be consistent with the requirements set forth in contracts, statutes, or regulations governing the allocability, allowability, or reasonableness of costs charged to awards and programs, and thus may not be reimbursable."

This survey included five hundred local governmental entities with year-ends between July 1, 1988, and June 30, 1989. The entities' schedules of compliance findings and questioned costs were reviewed for integrity and usefulness to other auditors. The most useful were selected for this publication. Included also are the responses to the compliance findings and questioned costs by each entity's management, if they were included with the reports required by the Act.

## SOURCE OF ILLUSTRATIONS

The presentation of a schedule of compliance findings and questioned costs requires considerable judgment on the part of the auditor. An auditor confronted with problems in preparing this schedule can benefit from learning how other auditors are presenting it in practice. Accordingly, this publication presents, by federal agency, excerpts from more than one hundred schedules of compliance findings and questioned costs. If it is not already disclosed in the original document, the name of the state associated with each entity has been added in brackets to clearly identify the entity.

The illustrations were compiled from the AICPA National Automated Accounting Research System (NAARS). The examples presented were selected from the 1988/89 Governmental Unit Annual Report file.

The Governmental Unit Annual Report files are new files in NAARS. Each document contains the general purpose financial statements, the schedule of federal financial assistance, and the full text of the notes to the financial statements of a local governmental unit. It also contains the full text of the reports submitted under the Act for that unit. See appendix A for additional information on the Governmental Unit Annual Report file and appendix D for single-audit reference material found in the Accounting and Auditing Literature files of the NAARS library.

# II

## OVERVIEW OF THE SINGLE AUDIT ACT OF 1984

### INTRODUCTION

In October 1984 the United States Congress enacted, and the president signed into law, the Single Audit Act of 1984 (the "Act"). The Act was the culmination of four and one-half years of experience conducting "Attachment P" audits and various surveys and analyses by the President's Council on Integrity and Efficiency.

The following are the purposes of the Act:

- To improve the financial management and accountability of state and local governments in connection with federal financial assistance programs
- To establish uniform requirements for audits of federal financial assistance provided to state and local governments
- To promote the efficient and effective use of audit resources
- To assure that federal agencies, to the extent practicable, rely upon and use audit work done pursuant to the Act

A single audit determines and reports whether—

- The government's entitywide financial statements fairly present the financial position and results of operations in accordance with generally accepted accounting principles (GAAP), including compliance with laws and regulations that may have a material effect on those financial statements. It should be noted that although the auditor must report on whether the financial statements are presented in accordance with GAAP, the financial statements need not be on a GAAP basis. For example, cash-basis financial statements are acceptable and the auditor's report will be prepared in accordance with AU sections 623.05 through 623.08 of the AICPA *Professional Standards*.
- The government established internal control systems to provide reasonable assurance that federal monies are managed in compliance with applicable laws and regulations.
- The government complied with laws and regulations that may have a material effect on each major federal financial assistance program.

The audit requirements of the Act and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*, apply to each state and local government that receives a total amount of federal financial assistance of—

- \$100,000 or more in any of its fiscal years, or
- \$25,000 or more, but less than \$100,000, in any fiscal year, if it elects to implement the Act's requirements in lieu of separate financial and compliance audit requirements of the federal financial assistance programs.

If a government receives less than \$25,000 in any fiscal year, it is exempt from the audit requirements of the Act and all other federal audit requirements.

Forms of federal assistance are discussed on page 6 in the section titled "Major Federal Assistance."

### **SCOPE AND PERFORMANCE**

A single audit is a financial and compliance audit, as defined by the General Accounting Office (GAO) Audit Standards. Accordingly, a single audit does not include an evaluation of the economy, efficiency, or program results of a government's programs.

A critical provision of the Act is the definition of a major federal financial assistance program. This definition is important because these programs will be the focus for the auditor in testing for compliance and reporting instances of noncompliance. The single audit must include compliance testing of each major financial assistance program, and should normally include testing of other programs.

The single audit emphasizes internal accounting and administrative controls. The auditor must study and evaluate the various internal accounting and other control systems used to manage all federal financial assistance programs and identify material weaknesses in such control systems. This study and evaluation must be performed whether or not the auditor will rely upon such systems—

- To reduce the amount of substantive audit testing needed to form an opinion on the financial statements or the schedule of federal financial assistance, or
- To report on the government's compliance with laws and regulations.

A greater audit effort will be placed on major federal financial assistance programs. Each and every significant control system used in administering each major federal financial assistance program will be reviewed, evaluated, and tested to determine if it is providing reasonable assurance that an organization is managing federal financial assistance programs in compliance with applicable laws and regulations.

Having reviewed, evaluated, and tested the applicable control systems, the auditor will perform additional tests of specific compliance with the various program requirements. The *Compliance Supplement for Single Audits of State and Local Governments* (revised September 1990) issued by the OMB to cover most federal financial assistance programs contains guidance to laws, regulations, and grant provisions that the auditor should use during the testing process. In addition, the auditor will research and define any other compliance criteria determined to be required in the circumstances.

The Act requires the auditor to determine whether a government complied with laws and regulations that may have a material effect on each major federal financial assistance program.

Even if the auditor concludes that the government has excellent systems and procedures for controlling federal financial assistance programs, the auditor still must perform additional tests to determine whether the government is in fact complying with the various requirements.

The compliance testing must include selecting and testing a representative number of charges from each major federal financial assistance program. The selection and testing of transactions shall be based on the auditor's professional judgment, considering such factors as the amount of expenditures for the program and the individual awards; the newness of the program or changes in its conditions; prior experience with the program, particularly as revealed in audits and other evaluations (inspections such as program reviews); the extent to which the program contracts for goods or services; the level at which the program is already subject to program reviews or other forms of independent oversight; the adequacy of the controls for ensuring compliance; the expectation of adherence or lack of adherence to the applicable laws and regulations; and the potential impact of adverse findings.

Transactions related to nonmajor federal financial assistance programs selected in connection with examinations of financial statements and evaluations of internal controls shall be tested for compliance with federal laws and regulations and other applicable requirements that apply to such transactions.

## REPORTING REQUIREMENTS

The Act and OMB Circular A-128 require the auditor to issue several reports and a schedule of the entity's federal financial assistance programs showing total expenditures for each program. For the entity itself, the auditor is required to issue—

- A report on the examination of the general purpose statements of the entity as a whole, or the department, agency, or establishment covered by the audit.
- A report on the internal accounting controls based solely on the study and evaluation made as a part of the audit of the general purpose financial statements.
- A report on compliance with laws and regulations that may have a material effect on the general purpose financial statements. The report should describe identified occurrences of noncompliance with federal, state, or local laws and regulations that are material in relation to these statements, and should express positive assurance on items tested and negative assurance on items not tested.

For the entity's federal financial assistance programs, the auditor is required to issue—

- A report on the schedule of federal financial assistance.
- A report on internal accounting and administrative controls used in administering federal financial assistance programs.
- A report on compliance with laws and regulations identifying all findings of noncompliance and questioned costs. AICPA Statement on Auditing Standards (SAS) No. 63, *Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance*, requires a report to include an opinion on compliance with specific requirements for each major program. For nonmajor programs and for compliance with general requirements applicable to major programs, SAS No. 63 requires the reports to include positive assurance with respect to the items tested and negative assurance on the items not tested.<sup>1</sup>

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<sup>1</sup> Specific and general rules are discussed on page 8.

Compliance reports usually are accompanied by a schedule of identified compliance exceptions, commonly referred to as questioned costs. Although *Standards for Audit*, issued by the GAO, requires the auditor to report material instances of noncompliance encountered, considerable controversy surrounds the definition of materiality with respect to the GAO; but an OMB interpretation published in the *Federal Register* requires that, for single audits, "all questioned costs. . . regardless of amount or level of materiality" must be reported (August 8, 1983, p. 36032). Accordingly, the auditor should report all exceptions and allow the grantor to determine whether further action is needed.

It may be feasible, in some circumstances, to combine the reports issued to comply with the Act's reporting requirements. However, auditors should exercise care in combining such reports to assure that the many reporting requirements of the Act are preserved in the combined reports. Practitioners report that inspector generals challenge combined reports continuously.

The general purpose financial statements and the components of the single-audit report, as specified above, may be bound together into one document or presented as separate documents, but they must be submitted at the same time.

Further, all fraud, abuse, or illegal acts or indications of such acts, including all questioned costs the auditors become aware of, should be covered in a separate written report.

In addition to the audit report, the entity shall provide comments on the findings and recommendations in the report, including a plan for corrective action taken or planned, and comments on the status of corrective action taken on prior findings. The Act does not describe the content of a corrective action plan. The corrective action plan should be consistent with the Audit Resolution Standard promulgated by the U.S. Comptroller General. If corrective action is not necessary, a statement describing the reason should accompany the audit report.

### MAJOR FEDERAL ASSISTANCE

A major federal assistance program is defined by the amount of *expenditures* for the program during the fiscal year, and that amount varies according to the total amount of expenditures on all federal programs.

The Act defines a major program as follows:

"Major Federal Assistance Program," for state and local governments having federal assistance expenditures between \$100,000 and \$100,000,000, means any program for which federal expenditures during the applicable year exceed the larger of \$300,000, or 3 percent of such total expenditures.

Where total expenditures of federal assistance exceed \$100,000,000, the following criteria apply:

Total Expenditures of Federal Financial Assistance for All Programs		Major Federal Assistance Program Means Any Program That Exceeds
More Than	But Less Than	
\$100 million	\$1 billion	\$ 3 million
1 billion	2 billion	4 million
2 billion	3 billion	7 million
3 billion	4 billion	10 million
4 billion	5 billion	13 million
5 billion	6 billion	16 million
6 billion	7 billion	19 million
over 7 billion		20 million

It should be noted that these definitions are based on *programs*, not *grants*. There will be many occasions when a government will have several grants for the same program. It should also be noted that assistance from federal programs need not be in the form of cash. Federal

assistance may be in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations.

### **INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

As discussed earlier, the Act and OMB Circular A-128 require the auditor to determine and report on whether the state or local government has internal accounting and administrative control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations. OMB Circular A-128 further provides that a study and evaluation of those controls must be made regardless of whether the auditor intends to place reliance on such systems.

The AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units* states:

A literal interpretation of the Single Audit Act would require the auditor to study and evaluate each system by the recipient regardless of the dollar amount of the program expenditures. However, the following approach for conducting such reviews was developed in consultation with representatives of OMB, GAO, and the Inspectors General.

If the recipient government has any major programs, the study and evaluation of internal accounting and administrative controls should be the type used if the auditor were intending to rely on all of the existing control cycles to restrict the extent of substantive testing, and the study and evaluation must cover all major programs. The study and evaluation should include all significant control cycles that relate to federal financial assistance.

If the major programs do not make up at least 50 percent of the total federal financial assistance expenditures, the auditor should extend the study and evaluation to include the largest nonmajor programs that together with the major programs will cover at least 50 percent of federal financial assistance expenditures.

If the recipient government has no major federal financial assistance programs, the scope of the study and evaluation of internal accounting and administrative controls used in administering federal financial assistance programs should cover the largest nonmajor programs comprising at least 50 percent of the federal assistance expenditures, and should be comparable to the scope that would be applied to major programs. The remainder of the programs need to be subjected only to a preliminary review.

Although the Act requires a report on internal controls, it does not require the auditor to express an opinion on the internal control systems used in administering federal financial assistance.

### **FINANCIAL AND REGULATORY COMPLIANCE REQUIREMENTS**

Federal financial assistance received by a governmental entity is considered an integral part of the entity's financial operations. Accordingly, audit procedures performed for other financial transactions should also be applied to the federal funds.

Compliance auditing is required whenever a federal financial assistance expenditure is selected in any of the normal testing processes or whenever they are specifically selected for testing.

- Compliance tests are to be conducted to ensure that laws, rules, and regulations that could have a material effect on the entity's financial position, or on the financial position of each major program, are complied with.

- The audit should be conducted in a manner that will allow the auditor to express an opinion on compliance with specific requirements for each major program and express positive assurance for those items tested, and negative assurance for those items not tested, for compliance with general requirements applicable to major programs. (Specific and general requirements are discussed subsequently in this section.)

Compliance testing will determine, for example, whether—

- Expenditures are necessary and reasonable for the program.
- Expenditures conform to any limitations imposed by the program.
- The accounting treatment for both federal and nonfederal funds has been consistent.
- Expenditures are net of applicable credits.
- Expenditures for one program do not include costs properly chargeable to another program.
- Expenditures were properly recorded and supported.
- Expenditures were approved in advance, if required.
- Procurement procedures used competitive bidding, if required.
- Costs have been equitably allocated.

The *Compliance Supplement for Single Audits of State and Local Governments* sets forth the major compliance requirements that should be considered in an organization-wide audit of state and local governments that receive federal assistance. The document provides the general requirements for financial compliance audits and requirements that are specific to programs that provide federal aid to state and local governments.

General compliance features must be examined for every item selected for compliance testing, unless clearly not applicable. While the rules for single audit call for compliance tests to be conducted on any transactions selected for any other testing, those rules do not require conducting the general compliance tests. If another audit sample selects a federal expenditure, only the specific program compliance tests need to be conducted on that item.

The general requirements to be tested include—

- Determining that federal funds were not used for any political activity.
- Determining that the program expenditures for wages have complied with the Davis-Bacon Act.
- Determining that all civil rights requirements have been complied with.
- Determining that cash received for the program has been managed in accordance with federal cash management requirements.
- Determining that relocation assistance in real property acquisition has been done in accordance with federal regulations.
- Determining that periodic submissions of federal financial assistance reports are complete and accurate and meet specified reporting requirements for the program.
- Determining that federally assisted programs bear their fair share of recognized costs as determined by allowable cost principles.
- Determining that the requirements to maintain a drug-free workplace are complied with.
- Determining that administrative requirements that are material to federal awards are complied with.

Individual or specific program compliance tests for many programs are specified in the *Compliance Supplement*. They are organized into the following five categories:

1. Types of service allowed or unallowed
2. Eligibility for participation in the program
3. Matching funds and level of effort



4. Reporting requirements
5. Special tests and provisions

Allocation of indirect costs to a federal program must be supported by a formal plan and be in compliance with that plan. Costs allocated may not be charged elsewhere and must be reasonably and properly allocated.

Generally, the criteria for reporting questioned costs relate to the following:

- Unallowable costs
- Undocumented costs
- Unapproved costs
- Unreasonable costs

Considering the foregoing criteria, the auditor must express an opinion on compliance with specific requirements for each major program and express positive assurance for those items tested, and negative assurance for those items not tested, for compliance with general requirements applicable to major programs.

### **SUBRECIPIENTS**

State and local governments that provide a portion of federal assistance or “pass through” awards to subrecipients should require access to the subrecipients’ records and financial statements as a condition of providing such assistance. Such access is necessary to ensure that the recipient government is able to satisfy its requirements under the Act that pertain to subrecipients. The recipient government must perform one of the following for each subrecipient of \$25,000 or more in any given year:

- If the subrecipient has a single audit, the recipient government must review the audit to ensure that action is taken on any material noncompliance.
- If a single audit is not performed, the recipient government must determine that the federal monies provided are expended in accordance with applicable laws and regulations and that appropriate action is taken in instances of material noncompliance. A government may elect to expand the scope of its single audit to include this determination.

### **COMMENTS**

The Single Audit Act of 1984 is complex and requires reporting and auditing standards from many federal audit guides. This overview highlights the significant provisions of the Act and codifies the many requirements from different audit guides. The reader should be aware that the overview is not all-inclusive; the Act (see appendix B), OMB Circular A-128 (see appendix C), and more recently, SAS No. 63 and AICPA Statements of Position 89-6, *Auditors’ Reports in Audits of State and Local Governmental Units*, and 90-9, *The Auditor’s Consideration of the Internal Control Structure Used in Administering Federal Financial Assistance Programs Under the Single Audit Act*, should be referred to for any specific requirements.

The illustrative examples that follow were issued before the effective date of the more recent AICPA pronouncements cited above. This does not affect their validity or usefulness because the compliance-related provisions of these pronouncements (SAS No. 63 and SOP 89-6) affect standards concerning testing and reporting on compliance rather than the schedule of compliance findings and questioned costs. Appendix E presents examples of compliance reports prepared under the guidance of SAS No. 63 and SOP 89-6.



## COMPLIANCE FINDINGS AND QUESTIONED COSTS BY FEDERAL AGENCY/DEPARTMENT

### DEPARTMENT OF AGRICULTURE

#### LANSING SCHOOL DISTRICT [MICHIGAN]

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

••••

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
U.S. Department of Agriculture Passed through the Michigan Department of Education, National School Lunch, Sec. 4 and Sec. 11, CFDA #10.555, Grantor #1958, 1959, 1968, 1969	From a sample of three schools that were sent confirmations, it was determined that 3% of the free and reduced lunch applications were not being income verified.	None

*Recommendation:* Administrators should review all schools on an annual basis to ensure that 3% of free and reduced lunch applications are being verified.

••••

#### CITY OF MILFORD, DELAWARE

*Schedule of Findings and Questioned Costs  
Year Ended September 30, 1988*

<u>Program</u>	<u>Findings</u>
UDAG Project No. B-80-AB-10-0004(7)	<i>Finding 1—Programs Income:</i> Our review indicated that interest of \$227 was earned on advances of federal funds during 1984. Circular No. A-102, Attachment E, Section 2 provides:  Interest earned on advances of Federal funds shall be remitted to the Federal agency except

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Findings</u>
UDAG Project No. B-80-AB-10-0010	<p>for interest earned on advances to States or instrumentalities of a State as provided by the Intergovernmental Cooperation Act of 1968.</p> <p style="text-align: right;">Questioned Costs: <u>\$227</u></p> <p><i>Recommendation:</i> We recommend that City management follow up the above referenced finding and institute procedures which will prevent future occurrences of such a nature.</p> <p><i>Response and Corrective Action Plan:</i> City management acknowledges the finding.</p> <p><i>Finding 2—Unexpended Funds:</i> Our review indicated that the City had not expended all of its Federal funds in the amount of \$331.</p> <p style="text-align: right;">Questioned Costs: <u>\$331</u></p> <p><i>Recommendation:</i> We recommend that the City refund the \$331 to the Department of HUD.</p> <p><i>Response and Corrective Action Plan:</i> City management acknowledges the finding.</p>

••••

MONTGOMERY COUNTY, MARYLAND

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989  
Findings Repeated From Prior Year*

••••

<u>Funding Source</u>	<u>Findings</u>
Department of Agriculture—Special Supplemental Food Program for Women, Infants, and Children (WIC)	<p>The terms of this program require that the grantee file reports with the State by the 20th day of the month following the report month. Two of the three reports we examined were filed after the deadline. In addition, one report was mailed to the State prior to County management's review and certification. No costs were questioned as a result of the late submission of these reports.</p> <p>The terms of this program state that four requirements must be met for a participant to be considered eligible. The applicant must be either a pregnant woman, lactating mother, or child under the age of five, as well as a County resident. Also, the applicant must meet specific income and nutritional risk guidelines. We noted the following deficiencies in the County's documentation of eligibility: the County could not locate one of the sixty-nine files we requested; twenty of the sixty-eight files located did not contain documentation of income; seven of the sixty-eight files located did not contain documentation of the performance of a nutritional risk assessment by a qualified nutritionist; and nine of the sixty-eight files that were located did not have the signature of the County Service Administrator indicating that the County had reviewed the case to ensure that all eligibility requirements had been met by the participant. The amount of questioned costs could not be determined.</p>

••••

CITY OF MANCHESTER, NEW HAMPSHIRE

*Schedule of Compliance Findings and Questioned Costs  
Year Ended December 31, 1988*

<u>Program</u>	<u>Current Audit Period</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
		● ● ● ●	
National School Lunch Program	January 1, 1988– December 31, 1988	The student applications approved for Wilson Street School included 110 students eligible for free lunches and 45 eligible for reduced price lunches. Per the May 1988 Claim for Reimbursement Form, between 113 and 117 free lunches were served each day in May. Additionally, between 46 and 48 reduced price lunches were served for 3 days in May. Per the November 1988 Claim for Reimbursement Form, there were nine days where the number of free lunches exceeded the number of approved applications.	\$— The impact on program costs is not readily determinable.

● ● ● ●

THE CONSOLIDATED SCHOOL DISTRICT OF AIKEN COUNTY  
AIKEN, SOUTH CAROLINA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
U.S. Department of Agriculture: National School Lunch Program	<p><i>Requirement:</i> The Free/Reduced Lunch applications submitted should be complete and approved in accordance with federal eligibility standards.</p> <p><i>Findings:</i> Out of 130 applications tested, the following discrepancies were noted:</p> <ol style="list-style-type: none"> <li>1. Busbee Elementary—Two applications had no determination by a designated representative as to whether the application was free, reduced, denied, or temporarily free or reduced.</li> <li>2. Busbee Elementary—Two applications did not have the social security numbers of all adult household members, or AFDC, or food stamp number.</li> </ol> <p>The tests of applications for the remaining schools revealed no indication of noncompliance (Wagener-Salley, Aiken High, Leavelle McCampbell). Since the 4 applications were included in free lunch counts and were not complete, the District</p>	Not Identifiable

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
	should not have received reimbursement for these applications.	
Canteen Operations— School Lunch Program	<p><i>Requirement:</i> No assets can be transferred between the School Food Service Fund and Pupil Activities Fund once the initial vending has occurred and “up front” charges are taken.</p> <p><i>Findings:</i> Canteen receipts were being deposited into the School Food Service Fund instead of the Pupil Activities Fund. The excess of receipts over the School Food Service’s cost and profit was then transferred to the Pupil Activity Fund by means of a check. The compliance requirements for the Canteen Operations do not specifically state that assets cannot be transferred from School Food Service Fund to Pupil Activities Fund; however, we were informed that it is the intent of the State Department that assets cannot be transferred in either manner. District School Food Service personnel had contacted the State Department of Education School Food Service personnel for assistance in establishing the canteen operations; however, it appears there were misunderstandings of the requirements governing canteen operations.</p>	Not Identifiable



BUTTE COUNTY [MONTANA]

*Schedule of Findings and Questioned Costs*



U.S. Department of Agriculture

*5. Statement of Condition.* We reviewed fifty food stamp cases and noted one instance where the application was mismarked as a recertification, when it was actually an initial application.

*Effect.* Part I of the food stamp application had not been completed as is required for initial applications.

*Recommendation.* We recommend the case files be reviewed on a consistent basis to ensure that all required documentation is included.

*Management’s Response.* The Welfare Department concurs with the recommendation. This type of error should not occur in the future as regulations now require completion of the DFA 285-A-1 at both application and recertification.

*6. Statement of Condition.* We examined fifty food stamp files and noted that a Notice of Action was not sent to one food stamp recipient upon the allotment of additional food stamps.

*Effect.* The recipient was given the required “Opportunity to Participate,” which has been defined as having the “Authority To Purchase” (ATP) available and one day of an issuance facility being opened. However, this food stamp recipient let \$175 in food stamps go unredeemed, which may in part have been caused by lack of sufficient notice.

*Recommendation.* The Welfare Department should ensure its policy of sending a Notice of Action to food stamp recipients for any changes in the allotment amount or for additional supplements of food stamps.

*Management’s Response.* The Welfare Department is committed to ensuring that all applicants and recipients receive Notices of Action according to regulatory mandates and continues to emphasize these requirements to Eligibility and Clerical staff in all programs.



NEW HANOVER COUNTY, NORTH CAROLINA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989

Program	Findings/Recipient Responses	Questioned Costs
● ● ● ●		
<p><i>Agriculture</i> Food Stamps (CFDA 10.551)</p>	<p><i>Finding</i></p> <p>1. The State of North Carolina conducts quality control reviews for this program. In statewide statistical samples completed to date for the County's fiscal year, the following errors were noted with respect to statewide sample cases relevant to New Hanover County (from which no statistical conclusion would be valid):</p> <p style="margin-left: 40px;">Period: July 1988 to March 1989</p> <p style="margin-left: 40px;">Cases sampled #27; \$3,594</p> <p style="margin-left: 40px;">Overissuance errors (25% County) #4; \$115</p> <p style="margin-left: 40px;">Underissuance errors (100% County) #1; \$13</p> <p><i>Recipient Response</i></p> <p>1. The cases were reviewed by the County and settled/ corrected as follows:</p> <p style="margin-left: 40px;">Overissuance errors:</p> <p style="margin-left: 80px;">(a) Client paid in full, March 1989; \$26</p> <p style="margin-left: 80px;">(b) Claim established April 1989; \$63</p> <p style="margin-left: 80px;">(c) Cases corrected, no claim established; \$26</p> <p style="margin-left: 40px;">Underissuance errors:</p> <p style="margin-left: 80px;">(a) Case restoration in progress; \$13</p>	<p>1. None</p>
	<p><i>Finding</i></p> <p>2. Of twelve months FNS-250 reports filed, five months reported a value of issuance difference (line 23) resulting from under- and overissuances by cashiers with a net underissuance.</p> <p><i>Recipient Response</i></p> <p>2. Department personnel are aware of controls over food stamp issuance. Under- and overissuances are being monitored more closely and personnel have been informed that promotions and raises and continued employment will be affected by the number of errors. Increased monitoring has caused under- and overissuances to decline.</p>	<p>2. (\$3)</p>
	<p><i>Finding</i></p> <p>3. Of twelve months of FNS-250 reports filed, seven months reported reconciling differences resulting from erroneous issuances, such as double issuance by pick up and mail.</p> <p><i>Recipient Response</i></p> <p>3. "Erroneous" issuances occur usually for 1 or 2 reasons. The first occurs when the FSIS computer system is down and stamps are issued from a back-up log and then are later mailed out. The second occurs when stamps are issued from the back-up log and then the client returns later when the system is back up but the back-up issuances have not yet been keyed and they are issued a second time on line. Of the \$1,349 erroneous issuances, \$443 of</p>	<p>3. \$1,349</p>

*Schedule of Findings and Questioned Costs (continued)*

Program	Findings/Recipient Responses	Questioned Costs
	that amount was recouped from the clients involved. This recoupment is reported on a different form and does not show up on the FNS-250 to offset the erroneous issuances. Again, erroneous issuances are being monitored more closely and personnel have been informed that promotions, raises and continued employment will be affected by the number of errors.	

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MISSOULA COUNTY, MONTANA

*Compliance—Specific Requirements  
Tests of Nonmajor Federal Financial Assistance Programs Transactions  
Findings and Recommendations*

Women/Infants/Children (WIC)

*Finding.* During our review of the grant program, we noted that instrument log sheets were not signed by both the custodian (office manager) and the issuance clerk. The program requires that the log sheets are signed by both the custodian and issuance clerk.

*Recommendation.* The office manager should review each log sheet for completeness. The review should then be documented on each sheet by the manager's initials.

*County Response.* The County believes the procedures currently in place are adequate.

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COUNTY OF SANTA CLARA [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

1989 Findings:

U.S. Department Of Agriculture  
CFDA NO. 10.551—Food Stamps  
Grant No. Not Applicable  
Compliance Finding

Total Questioned Costs—None

*1. Finding:* Of twenty case files examined, seventeen fulfilled all compliance tests performed. Findings with respect to the remaining three case files are as follows:

Three out of twenty case files reviewed did not contain the required Claim Determination Worksheet, DFA 842. The Claim Determination Worksheet is prepared by the eligibility worker to initiate claims against food stamp recipients.

Although the County has taken corrective action, such as developing a checklist of mandatory forms, performing an annual supervisory mini-review, updating the Food Stamps Handbook and issuing monthly flyers, in light of the current year findings consideration should be given to making use of the checklists mandatory and increasing the number of mini-reviews.

*Management Response:* As noted in the finding summary, the Social Services Agency has taken extensive corrective action regarding the claims determination form. A part of the corrective action was to make the checklist of forms mandatory. However, this action was not completed until July 1, 1989. It is anticipated that the mandatory requirement will assist in the completion of the form whenever the case goes from intake to continuing, or from one district office to another.

For those remaining cases which will not require a checklist, the mini-reviews have been increased to twice a year, beginning with the calendar year 1989.

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CITY OF CHICAGO, ILLINOIS

*U. S. Department of Agriculture  
Child Care Food Program—CFDA No. 10.558  
City Department of Human Services  
Year Ended December 31, 1988*



Finding 1988-2:

To remain in compliance with USDA regulations 226.17, the City is required by the Illinois State Board of Education to observe and monitor the meals served to children in the Child Care Food Program.

Seventeen (17) of twenty-five (25) monitoring reports tested were incomplete and five (5) were not signed by the site director. The reports indicated no evidence that the monitor had observed and documented the number of meals served, the quantity of the food and addressed all questions on the monitoring checklist.

We recommend that the City properly complete all documents prescribed by the state grantor.

1988 Grantee Response:

The Children Services Division plans further training of its Child Care Food Program monitors, in the proper completion of monitoring forms. It is the intention of the Department of Human Services to ensure that all monitoring forms are completed properly.

We also plan to revise the monitoring form to better reflect monitoring needs.



ARLINGTON COUNTY, VIRGINIA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*



<u>Funding Source</u>	<u>Findings</u>	<u>Potential Reimbursement Effect Over/(Under)</u>	<u>Management Response</u>
Department of Agriculture	<i>School Lunch Program:</i> On both of the two (2) Status of Cash Account Statements tested, Adult Breakfasts were misclassified as Pupil Lunches.	*	The County will review these statements and make all necessary changes.



\* The reimbursement effect is either nominal, not reimbursable, or not ascertainable.



CITY OF SAN ANTONIO [TEXAS]

*Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1988*



<u>Grant Program/Number/Subrecipient</u>	<u>Finding/Noncompliance as Noted by Federal and State Auditors</u>
B. Current Year Findings Questioned Costs	
1. UDAG B-80-AA-48-0506	<i>Vista Verde South</i> Furniture and equipment purchases in the amount of \$3,978 appear unnecessary. Amounts charged to the project



*Schedule of Findings and Questioned Costs (continued)*

Grant Program/Number/Subrecipient	Finding/Noncompliance as Noted by Federal and State Auditors
	do not appear reasonable.
	Additionally, legal services with a cost of \$21,360 were incurred prior to City Council approval without a contract.
2. UDAG B-81-AA-48-059	<i>River Center Mall</i> Construction contract costs exceeded the State law allowable actual costs of 125 percent of original cost in the amount of \$17,864.



KALKASKA COUNTY [MICHIGAN]

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

Program	Finding/Noncompliance	Questioned Costs															
Title III B, III C, USDA Title III C	The Commission on Aging Fund properly adopted a budget under Michigan's Public Act 621; however, 4 line items showed actual expenditures exceeded the amended budget amounts in violation of that act as follows:																
	<table border="1"> <thead> <tr> <th style="text-align: center;">Line Item</th> <th style="text-align: center;">Budget</th> <th style="text-align: center;">Actual</th> </tr> </thead> <tbody> <tr> <td>Fringe Benefits</td> <td style="text-align: center;">-0-</td> <td style="text-align: right;">15,667</td> </tr> <tr> <td>Supplies</td> <td style="text-align: right;">11,000</td> <td style="text-align: right;">14,920</td> </tr> <tr> <td>Service Charges</td> <td style="text-align: right;">142,000</td> <td style="text-align: right;">150,485</td> </tr> <tr> <td>Fixed Assets</td> <td style="text-align: right;">9,000</td> <td style="text-align: right;">24,128</td> </tr> </tbody> </table>	Line Item	Budget	Actual	Fringe Benefits	-0-	15,667	Supplies	11,000	14,920	Service Charges	142,000	150,485	Fixed Assets	9,000	24,128	
Line Item	Budget	Actual															
Fringe Benefits	-0-	15,667															
Supplies	11,000	14,920															
Service Charges	142,000	150,485															
Fixed Assets	9,000	24,128															

In testing head count sheets at the various meal locations we noted differences between the sheets and the summary totals on the monthly report as follows:

February 1989	41 over reported
July 1989	9 over reported

The above differences were noted out of total meals served as follows:

February	3,948
July	4,211

The errors noted were minor and in February occurred primarily on one location's sheet for 1 day. We feel the differences occurred because the meal location sheets were added only once. The Commission director will begin requiring a double taping of the sheets which should alleviate this minor problem.

There were checks outstanding for a great length of time, several for over a year. These checks will be investigated and then written off if appropriate.

The general ledger, while accurate, did not provide adequate posting references. Dates and journal references were frequently missing on the account pages. This will be corrected in future periods.

COUNTY OF CHESTERFIELD, VIRGINIA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*



<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
National School Lunch Program	The County's Policy Statement for Free and Reduced Price Meals states that the County will submit a public release containing both free and reduced price eligibility guidelines to the local news media, local unemployment offices and major employers contemplating or experiencing large layoffs. While the County does issue a press release to the newspaper, the other two parties were not provided with the information. We recommend that the County notify these offices to ensure that the benefit of free and reduced lunches is known to potentially interested parties.	\$ —
Food Stamp Program	The County Social Services department manually calculates the food stamp benefit to be received by a client based on income resources, family size and other criteria. This information is input to the State's computer which also calculates the benefit. When the State document is received at social services the benefit calculated by the State is compared to the one calculated by the County. In one out of the thirty cases tested, we found the amounts did not agree. The County eligibility worker calculated the initial food stamp benefit to be \$11 greater than the amount the State calculated. Although all subsequent allotments were made in the proper amount, as calculated by the State, the initial allotment was made in the higher, incorrect amount. It is the department's policy that in cases such as this where the agency has made an error a letter be written to the client requesting the over-allotment be refunded. No such letter was sent, nor was the client notified in writing that the allotment had been reduced from the amount the eligibility worker had previously indicated. We recommend that a letter be sent requesting the return of the overpayment.	\$ 11

**DEPARTMENT OF COMMERCE**

CITY OF SAN ANTONIO [TEXAS]

*Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1988*



<u>Grant Program/Number/Subrecipient</u>	<u>Finding/Noncompliance as Noted by Federal and State Auditors</u>
3. Title IX Revolving Loan Program	The City has received a "draft audit report" from the U.S. Department of Commerce. The report questions costs in the amount of \$1,691,185.
4. Title IX Revolving Loan Program	The City's Title IX Revolving Loan Program awarded by the U.S. Department of Commerce is administered by



Program	Findings/Noncompliance	Questioned Costs
	amount of \$535. This amount has not been recorded as due back to the State.	
Chapter II Project #89BB002	<p><i>Requirement:</i> Costs charged to the grant program should be net of all applicable credits, such as volume or cash discounts, refunds, rental income, trade-in, scrap sales, etc.</p> <p><i>Findings:</i> Reimbursements received were not deducted from the appropriate expenditure accounts when the expenditure claims were being prepared. This resulted in an overclaimed amount of \$984. This amount has been included in the total amount due back to the State.</p>	None
Title VI, Part B— Handicapped Project #89CA002	<p><i>Requirement:</i> Expenditures charged to a grant program should be properly supported by underlying documentation and should be correct as to program, account, amount, and period.</p> <p><i>Findings:</i> A retirement allocation expenditure was claimed twice on the final claim. This resulted in \$1,015 being over-claimed for this project. This amount has been included in the total amount due back to the State.</p>	None



JEFFERSON COUNTY SCHOOL DISTRICT, NO. R-1 [COLORADO]

*Schedule of Findings and Questioned Costs*  
*Year Ended December 31, 1988*

Program	Questioned Cost
U.S. Department of Education—Drug Free Schools/Community Act of 1986— CFDA No. 84.186, Program No. 8601938	None
<p><i>Finding:</i> The District paid \$46,346.97 for use of facilities, lodging and meals to conduct training for its "All Stars" program; the District's prescribed purchasing procedures were not followed in selecting a facility for this training. Attachment O of Office of Management and Budget OMB Circular A-102 (Revised) permits grantees to use their own procurement standards provided procurements made with federal grant funds adhere to standards included in Attachment O. Failure to use the District's purchasing system creates a risk that services will not be obtained in an effective manner and in compliance with the provisions of applicable federal law and executive orders.</p> <p><i>Response:</i> The project manager contracted with CONNECT: Organizational Development and Training Corporation to coordinate and conduct the training sessions for this grant. The contractor secured bids and arranged for the training facilities as required by the contract.</p> <p>An administrative change eliminated the need for this contract. The current project manager, a District employee, will follow Board policy in arranging for facilities for the 1989-90 training sessions.</p>	
U.S. Department of Education—Junior High Life Science NSF—Program No. 8821908	None
<p><i>Finding:</i> The District contracted in 1988 to have a textbook (developed with National Science Foundation funding) published commercially. The contract does not contain assurances, required by Articles 9 and 25 of the National Science Foundation <i>Grant General Conditions</i>, regarding the government's</p>	

*Schedule of Findings and Questioned Costs (continued)*

Program	Questioned Costs
<p>right to use the materials on a royalty-free basis. In addition, the publishing contract was concluded without prior approval of the District's designated official; such approval is required by Article 2 of the <i>Grant General Conditions</i>. The lack of compliance with grant terms apparently occurred because the proposed contract had not been submitted for approval to the District official responsible for ensuring that proposed actions are in accordance with grant terms and conditions.</p> <p><i>Response:</i> The District's legal advisors reviewed the contract before it was submitted to the Board for approval. The District's contracting officer and legal advisors have been notified of these federal grant requirements for future negotiations.</p> <p>U.S. Department of Education—PL 94-142—CFDA No. 84.027, Program No. 8201757</p> <p><i>Finding:</i> The September salary of one employee for \$2,319.75 was charged to the grant in error. The employee had worked for the grant through August. The personnel change form which transferred the employee to a General Fund position effective for September was not processed until October. Prescribed procedures require retroactive change forms for grant employees to be forwarded to appropriate personnel for preparation of accounting adjustments. In this case, the prescribed procedure was not followed and other review processes similarly did not result in correction of the September payment until notification through single audit testing by auditors. The District amended appropriate reports to the Colorado Department of Education to reflect the error correction.</p> <p><i>Response:</i> In 1988, additional procedures were instituted at the beginning date of each new grant to detect such errors. Using the additional monitoring controls, a number of similar errors were detected and corrected. The new procedures were applied to this grant when it was renewed in October.</p>	None

ANOKA-HENNEPIN INDEPENDENT SCHOOL DISTRICT NO. 11  
COON RAPIDS, MINNESOTA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

1989 Audit

Federal Program Compliance Matters

Federal Financial Assistance Program	Finding/Noncompliance	Questioned Costs
1. 84.063 Pell Grant Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$70,084, eleven financial aid award letters, which were generated from the SARA computer system, contained an incorrect cost of attendance. These errors resulted in an incorrect amount of student "unmet need" which is the amount used to determine financial aid awards. Two students were underawarded for a total of \$140; and there was no effect on the awarded amount for the remaining nine students.</p> <p><i>Recommendation:</i> Anoka Technical Institute (ATI) should ensure that the SARA computer system is generating the correct</p>	\$ —

Federal Financial Assistance Program	Finding/Noncompliance	Questioned Costs
	<p>cost of attendance based on information obtained from the student's comprehensive financial aid report and student aid report. It appears that this system does not take into consideration whether or not the student has a spouse (and at times other dependents) which would impact the cost.</p> <p><i>District's Response:</i> ATI will try to reprogram the SARA computer system for the 1989-1990 school year. Also, the two students who were underawarded will be notified in writing of the underaward and will be issued additional checks for the appropriate amount.</p>	
2. 84.063 Pell Grant Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$70,084, one student who signed a Statement of Registration Status as "not required to be registered with selective service" did not indicate the reason as to why he was waived from the requirement. Furthermore, there was nothing in the student's file to indicate why he would not be required to register.</p> <p><i>Recommendation:</i> ATI should ensure the Registration Status Statements are completely documented by each student to ensure student compliance with this requirement.</p> <p><i>District's Response:</i> ATI has established procedures to verify each student's compliance with this requirement. The incomplete student file was inadvertently undetected during this review procedure. ATI will ensure that the Statement of Registration Status is accurately completed in the 1989-1990 school year.</p>	\$ —
3. 84.063 Pell Grant Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$70,084, two students were awarded Pell Grants based on the fact that the students had dependent children under the age of twelve or dependent children over the age of twelve who required constant care, without documentation in the file to support those requirements. ATI financial aid personnel did however, have personal knowledge of the students' family situations which supported those requirements. This resulted in one student being underawarded by \$89; and one student being overawarded by \$70.</p> <p><i>Recommendation:</i> ATI should have written documentation supporting the above-mentioned requirements in applicable students files when such information is not readily apparent on a student's comprehensive financial aid report or institution verification form.</p> <p><i>District's Response:</i> ATI will obtain documentation from students in the future to verify this information. In addition, the student who was underawarded will be notified in writing of the underaward and will be issued a check for the appropriate amount. The student who was overawarded will be billed for the excess.</p>	\$ 70
4. 84.063 Pell Grant Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$70,084, one student was awarded a Pell Grant of \$1,650 when he should have been awarded a Pell Grant of \$650. As this student graduated in December of 1988, the actual amount paid to him was only \$1,098 resulting in an overpayment of \$448.</p>	\$ 448

Schedule of Findings and Questioned Costs (continued)

Federal Financial Assistance Program	Finding/Noncompliance	Questioned Costs
	<p><i>Recommendation:</i> ATI should establish review procedures to verify that the actual Pell grant amount awarded to a student is correct.</p> <p><i>District's Response:</i> This student's Pell award was generated early by using the Comprehensive Financial Aid Report which listed a Student Aid Index (SAI) of 528, which would make the award \$1,650. Subsequently, ATI received this student's Student Aid Report (SAR), which listed a different SAI number which would have resulted in a Pell award of \$650. ATI is currently using the SAI number from the SAR. In the future, no awards will be generated without the SAR. Furthermore, the student will be billed for the excess amount paid to him.</p>	
5. 84.063 Pell Grant Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$70,084, one student file did not contain a financial aid award letter. This letter documents the student's cost of attendance, family contribution, unmet need, and total financial aid awarded.</p> <p><i>Recommendation:</i> ATI should maintain a financial aid award letter in each student's file so that the student's basis for financial award and allocation of various types of financial aid are fully documented.</p> <p><i>District's Response:</i> When financial aid was awarded for the 1988-1989 school year, ATI processed payments while waiting for signed financial aid award letters from students. This process will be reversed for the 1989-1990 school year. No payments will be made to students without a signed financial aid award letter in the student's file.</p>	\$ —
6. 84.063 Pell Grant Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$70,084, one student's file did not contain documentation which verified that the student received his Pell award check. ATI's established procedures for this verification is to have the student sign and date the Pell check stub when the student receives the check and include the signed stub in the student's file.</p> <p><i>Recommendation:</i> ATI should have all students sign and date the Pell check stub at the time the Pell check is disbursed to them. This signed stub should then be included in each student's file.</p> <p><i>District's Response:</i> This was an oversight of the bookstore staff (who disburse the checks to the students). ATI will ensure that the staff has students sign and date the check stubs.</p>	\$1,098
7. 84.063 Pell Grants	<p><i>Finding:</i> While reviewing ATI procedures, we noted that there was no formal policy regarding overpayments.</p> <p><i>Background:</i> ATI does not distribute any financial aid to students prior to the 16th day of the quarter at which time all tuition is due. Thus, if a student is enrolled on the 16th day, he/she is entitled to the full financial aid award for that quarter. Also, Pell amounts are determined by American College Testing (ACT) and not by the school; therefore, only in cases where a student changes the original financial information submitted to ACT will a possible overpayment occur.</p>	\$ —

Federal Financial Assistance Program	Finding/Noncompliance	Questioned Costs
	<p><i>Recommendation:</i> Due to ATI policy, only in rare instances will students be paid more than they have qualified for; however, the school should have a written policy regarding overpayments.</p> <p><i>District's Response:</i> Should an overpayment occur, the student is billed for the excess amount. This overpayment procedure will be written and included in ATI's procedure manual.</p>	
8. 84.063 Pell Grants	<p><i>Finding:</i> While reviewing the cash transaction report, we noted that no supporting documentation was maintained for the amounts requested by ATI for Pell Grants.</p> <p><i>Recommendation:</i> ATI should prepare a detailed schedule each time a request for funds is made. The schedule should show detail of amounts requested for each individual, amounts received to date, and a comparison of amounts received to the amount authorized.</p> <p><i>District's Response:</i> ATI is devising a new method of calculating and recording cash requests.</p>	\$ —
9. 84.032 Guaranteed Student Loan Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$94,181, fifteen loan application forms were completed incorrectly either by misstating the cost of attendance, estimated financial assistance, or loan award (legal maximum) amount. These portions must be completed correctly to ensure that the students will not be overawarded. These errors resulted in one student being overawarded by a total amount of \$1,387; two students being underawarded by a total of \$631; and with no effect on the awarded amount for the remaining twelve students. Neither the lenders nor the students were notified of the overawarded amounts.</p> <p><i>Recommendation:</i> ATI should ensure that the cost of attendance, estimated financial assistance or loan awarded (legal maximum) amount are calculated correctly. The loan application should be reviewed to ensure that these amounts are correct.</p> <p><i>District's Response:</i> The overaward resulted because one student's Student Aid Report was received late. Thus, ATI calculated the student award based on preliminary information from the Comprehensive Financial Aid Report. Underawards were the result of clerical errors. ATI will monitor the completion of the loan applications more closely.</p>	\$1,387
10. 84.032 Guaranteed Student Loan Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$94,181, one student was properly issued a guaranteed student loan (GSL) check for \$803 after the 16-day tuition cut-off period. However, once the check was issued to him, the student withdrew and an ATI counselor "backdropped" the student to a date prior to the 16-day tuition cut-off period so that the student would not be liable for that quarter's tuition. Thus, the student received the GSL check, but was not liable for tuition.</p> <p><i>Recommendation:</i> ATI should not "backdrop" students who are GSL recipients to a date before the 16-day tuition cut-off period. ATI should ensure that these recipients are liable for tuition if they receive their checks.</p> <p><i>District's Response:</i> ATI has discussed the incident with counselors to ensure that a similar incident does not occur in the future.</p>	\$ 803



Schedule of Findings and Questioned Costs (continued)

Federal Financial Assistance Program	Finding/Noncompliance	Questioned Costs
11. 84.032 Guaranteed Student Loan Program	<p><i>Finding:</i> Of the fifty student records tested for a total dollar amount of \$94,181, fourteen student files either did not contain a signed loan counseling agreement or the agreement was signed only by the student and not by both the student and a financial aid assistant. This procedure, which was established in November 1988, requires that a student sign an agreement which states that he/she has been informed of his/her rights and responsibilities concerning the GSL program. It also requires a financial aid assistant to sign the agreement stating that he/she has informed the student of these rights and responsibilities.</p> <p><i>Recommendation:</i> ATI should have this loan counseling agreement signed by both the student and financial aid assistant according to prescribed procedures. This document should then be retained in the student's file.</p> <p><i>District's Response:</i> ATI will monitor this more closely. Also, in the 1989-1990 school year, ATI will be using a new Loan Counseling Agreement received from a bank, which is more specific as to the rights and obligations of both the student and ATI.</p>	\$ —
12. 84.032 Guaranteed Student Loan Program	<p><i>Finding:</i> Of the six student records tested who had a change in enrollment status, four had no documentation indicating that the lender had been notified of a change in enrollment status. The school is required to report a change in enrollment status to the lender. ATI's procedure includes making a copy of the enrollment status form for the student's file prior to completing the required form. The lender has informed us that they received notification regarding two out of six of these students.</p> <p><i>Recommendation:</i> ATI should complete the proper form and maintain a copy in the student's loan file as well as in the file kept in the Report Department. The lender should be notified of any enrollment changes on a timely basis. These procedures should be performed by the Financial Aid Department.</p> <p><i>District's Response:</i> The Financial Aid Office is assuming this responsibility to ensure that all lenders are informed on a timely basis. The lenders who had not been notified as indicated above, will be properly notified via the Student Confirmation Report which will be issued by October 1989.</p>	\$ —
13. 84.063 Pell Grant Program and 84.032 GSL Program	<p><i>Finding:</i> ATI did not have a letter of Eligibility and Certification or a Participation Agreement in their current files. We did review prior year documentation noting that the ATI did have Certification and a Participation Agreement.</p> <p><i>Recommendation:</i> ATI should ensure that these documents are readily available at all times.</p> <p><i>District's Response:</i> The financial aid office will obtain copies of these certificates and keep them on file with other current records.</p>	\$ —
14. 84.048 Vocational Education— Basic Grants to States	<p><i>Finding:</i> ATI did not maintain detailed property records for \$162,626 of property that was acquired during the current year with federal program funds.</p> <p><i>Recommendation:</i> ATI should maintain detailed property records that include a description of the property, a serial number or other identification number, the source of property,</p>	\$162,626

Federal Financial Assistance Program	Finding/Noncompliance	Questioned Costs
	<p>who holds title, the acquisition date, cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.</p> <p><i>District's Response:</i> ATI is aware of this problem which is the result of an insufficient level of staffing. ATI has hired a secretary who will be responsible for maintaining these property records.</p>	
15. 84.048 Vocational Education— Basic Grants to States	<p><i>Finding:</i> ATI did not take a physical inventory of the property obtained with federal program funds and reconcile the results with detailed property records within the past two years.</p> <p><i>Recommendation:</i> ATI should take a physical inventory of all property obtained with federal funds and reconcile records at least once every two years.</p> <p><i>District's Response:</i> ATI will schedule a physical inventory of this property by program area during the 1989-1990 school year. The results of this inventory will then be reconciled to the property records.</p>	\$ —



## DEPARTMENT OF ENERGY

CITY OF CHICAGO, ILLINOIS

*U.S. Department of Energy  
Weatherization Assistance for Low-Income Persons—CFDA No. 81.042  
City Department of Housing  
Year Ended December 31, 1988*

*Finding 1988-20:* Federal compliance requirements (OMB Circular A-102, Attachment L), mandate that Federal agencies must establish grant closeout procedures that provide for prompt payments by the grantor or prompt refunds by the grantee and final reports within ninety (90) days of completion. The Illinois Department of Commerce and Community Affairs (DCCA) grant agreement requires submission within forty-five (45) days, while circular A-102 requires that DCCA submit close-out material to the Department of Energy (DOE) within ninety (90) days of grant completion.

The grant close-out reports for the four (4) weatherization grants closed out in 1988 were not closed out within the prescribed time frame as follows:

<u>Grant Number</u>	<u>Days Late</u>
87-98125	5
87-425025	5
87-22125	5
87-422025	5

We recommend that the City comply with the prescribed state regulations.

*1988 Grantee Response:* The Department of Housing has reviewed the procedures for completing the grant close-out reports for the Weatherization Program. The procedures will be modified in order to comply with the prescribed state regulations regarding timely submission of reports.



CITY OF MILWAUKEE [WISCONSIN]

*Schedule of Findings of Noncompliance*

Funding Source:

U.S. Department of Housing and Urban Development  
U.S. Department of Energy

Award Program:

Community Development Block Grant (CDBG)  
Low Income Weatherization Assistance Program

City Administering Department:

Community Development Agent  
Department of Building Inspection

*Internal Control Finding:* Section 7502(e)(1) of the Single Audit Act requires that when a local government provides \$25,000 or more of Federal Financial Assistance to a subrecipient, the local government is responsible to review the external audit of the subrecipient if one is conducted or perform other procedures necessary to determine that the expenditures of Federal Financial Assistance provided are in accordance with applicable laws and regulations. The local government is also required to ensure that prompt and appropriate corrective action is taken on any instances of material noncompliance noted.

To comply with these requirements of the Single Audit Act, the City of Milwaukee performs several procedures related to subrecipient oversight such as:

1. Perform preliminary reviews of new subrecipients prior to entering into a contract.
2. Review monthly cost reports submitted by the subrecipient including copies of source documents.
3. Review the external audit of the subrecipient if one is performed or perform a detailed site review for subrecipients not independently audited within one year of the end of the program period.

For certain subrecipients, the City of Milwaukee, Office of the Comptroller, has not been able to complete procedure 3 above. The applicable subrecipients are as follows:

	<u>CDBG Grant Expenditures</u>	<u>Low-Income Weatherization Grant Expenditures</u>
Harambee Ombudsman Project	\$155,422	
Image Creators Design Printers, Inc.	114,277	
Interparish Council of Peace Interfaith, Inc.	102,432	
O.I.C. G.M.		\$1,292,449
Phoenix Redevelopment Project, Inc.	167,545	
Triangle Community Group	25,000	
Westside Conservation Corp.	932,839	

*City of Milwaukee Management Response:* The City performed steps 1 and 2 listed in the finding for all of the cited projects during the course of the grant year. However, in the case of O.I.C. G.M., Triangle Community Group, and Westside Conservation Corp., we were unable to complete the external audit review of step 3. In the case of the other 4, we were unable to complete the detailed site review of step 3. Additional individual comments related to the above projects are listed below:

*Honorable Ombudsman Project.* In the past, this project was independently audited. However, for internal reasons, the Board of Directors of this project decided to forego an independent audit for calendar year 1987 which included the CDBG funding cited above. Our office intends to conduct a field review of the agency during 1989 to clear this matter.

*Image Creators Design Printers.* Our office made repeated attempts to conduct a field review of this project. Project personnel were not cooperative and indicated that the pertinent records had been destroyed in a fire. We consider this project to be unauditible. However, it is our determination that services were provided, costs were reasonable and objectives were achieved. It should be noted that this organization is no longer receiving grant funds from the City.

*Interparish Council of Peace Interfaith, Inc.* This organization declared bankruptcy after the close of the grant year. A field visit to the attorney-in-bankruptcy's office revealed the records to be in total disarray and incomplete. We were thus unable to complete an audit of the project. However, as with Image Creators, we feel that services were provided, costs were reasonable and objectives were achieved. A new agency, not affiliated with Interparish Council, is currently providing the services formerly provided by Interparish Council.

*O.I.C. G.M.* This organization is independently audited. Due to fiscal staffing problems within the organization and a change of auditors, the audit for the year ended June 30, 1988, was not begun until April of 1989. As of this writing, the audit report has not been completed. We will conduct our normal review when the audit report becomes available to the City which should resolve this matter.

*Phoenix Redevelopment Project, Inc.* The records of this agency were seized by the Federal Bureau of Investigation. We have been unable to obtain them to conduct an audit. Our office wrote to the HUD Office of Inspector General to inquire as to whether they wished to conduct their own audit. Their written reply indicated that they would not conduct such an audit. Accordingly, we consider this matter closed. The organization is no longer receiving grant funds from the City.

*Triangle Community Group.* The organization was externally audited and, while it received a clean opinion, the notes to the Statements indicated there were overpayments of grant funds to the agency. Our office reviewed the records of the agency and determined that there were, in fact, some improperly documented payments although less than that indicated in the audit report. We have held off reimbursing the organization for other, documented costs and intend to offset the improperly documented costs against these. The amount of the undocumented costs is \$3,998. This organization is no longer receiving grant funds from the City.

*Westside Conservation Corp.* This organization is independently audited. The audit reports received for the past several years did not provide sufficient detail or disclosure for the City's review. Our office recently made a field visit to the organization and, as a result, we were able to reconcile one of the grant years to the City's records. We will provide schedules to the organization and their accountant for them to review and reconcile the other years in question. We anticipate that this review should clear up the matter.



**MONTGOMERY COUNTY, MARYLAND**

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989  
New Findings for Fiscal Year 1989*

Funding Source	Findings
Department of Energy— Maryland Energy Assistance Program	The terms of this program require that the grantee file reports with the State by the 10th working day of the report month. Two of the three reports we examined were filed after the deadline. No costs were questioned as a result of the late submission of these reports.



**ENVIRONMENTAL PROTECTION AGENCY**

**SCHEDULE I  
TOWN OF DERRY [NEW HAMPSHIRE]**

*Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 1989*

Program	Finding
Environmental Protection Agency Construction Grants for Wastewater Treatment Works/Treatment Plant	An error made in the preparation of EPA Form SF271 "Quality Reporting and Request for Reimbursement for Construction Programs (No. 20)" by the engineering firm on this project was not detected by the Town prior to filing. As

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Finding</u>
Expansion Project (Lagoons AL1 & AL2) #C-33194-04	a result the request was overstated by \$153,682. Also not detected before filing was that this request for reimbursement exceeded grant authorizations by \$136,250. Since payment has not been received for this request there are no questioned costs related to this finding. <i>Recipient's Response:</i> Appropriate corrections will be reflected in the next and final request number 21.

HILLSBOROUGH COUNTY, FLORIDA

*Schedule of Findings and Questioned Costs*

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<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
E.P.A. 66.418	13. During our review of the matching requirements, it was noted that the County requested reimbursement for ineligible costs incurred. The County subsequently discovered the error and has been issuing credits against future requests for reimbursement up to the amount of the overpayment. Therefore, as a result of the above actions taken by the County, there are no questioned costs to report.  We recommend that all requests for reimbursements be thoroughly reviewed prior to submission to the granting agencies.	\$ —

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TOWN OF TIMMONSVILLE, SOUTH CAROLINA

*Statement of Findings and Questioned Costs  
Year Ended February 28, 1989*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
U.S. Environmental Protection Agency:	The supporting documentation for the final "Outlay Report and Request for Reimbursement for Construction Programs" indicates eligible cost in the amount of \$188 for which reimbursement was not requested.	\$141
Construction Grants for Wastewater Treatment Works	Total cost eligible for 75% reimbursement for sewer system rehabilitation and sewer line extension is \$21,015. Amount reported on the "Outlay Report and Request for Reimbursement for Construction Programs" was \$21,506.	368

CITY OF RALEIGH [NORTH CAROLINA]

*Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 1989*

*Programs:*

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Environmental Protection Agency

*Finding:* The City has not submitted the required quarterly Outlay Report and Request for Reimbursement for Construction Programs (SF-271) on a timely basis. Lack of monitoring of grant requirements was the cause of this delay.

*Response:* Partial Payment Request Numbers 1-4 have been submitted since June 23, 1989. Henceforth, reports will be completed on a timely basis.

*Questioned Cost:* None.



THE CITY OF FREDERICK, MARYLAND

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*



Environmental Protection Agency (E.P.A.)  
Construction Grants for Wastewater Treatment Works  
*General Requirement—Davis-Bacon Compliance*

1. The City has not developed a system for monitoring applicable contractors with respect to payment of prevailing wages.

Questioned Costs: None

*Special Provision*

2. Regulations 40 CFR 35.2200 and 35.2214 provide that the grantee shall maintain and operate the project to meet project performance standards and the enforceable requirements of the Clean Water Act. During the year ended June 30, 1989, the City was operating under an interim permit for the period of March 1, 1987, through March 31, 1990, which specifies effluent limitations. The City's wastewater treatment plant was not operating within the stated limitations during the entire year.

Questioned Costs: None



CITY OF EUGENE, OREGON

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

*Program—Santa Clara Sewer Construction (CFDA Number 66.418)*

*Finding No. 1:* The City has not met the requirements of the sewer connection schedule established as a grant condition on the Environmental Protection Agency (EPA) grant award.

*City's Response:* The City agrees that they have fallen behind on the early dates established for sewer connections and as a result are negotiating with the EPA to seek an extension or adjustment of the original schedule.



CITY OF ALBUQUERQUE, NEW MEXICO

*Schedule of Findings and Questioned Costs (Single Audit)  
Year Ended June 30, 1989*

Program	Findings
Environmental Protection Agency	This grant specifies that certain types of costs are ineligible for reimbursement from the grantor. It was noted that ineligible costs were requested and reimbursed by the EPA. <i>Questioned Costs:</i> \$1,216,231

*Schedule of Findings and Questioned Costs (continued)*

Program	Findings
	<p><i>City Management Response:</i> We do not believe that there are questioned costs pertaining to the subject grant. Items that have been designated ineligible have been done because of federal funding constraints. During closeout of all grants, a full reconciliation of eligible items are made and, if necessary, a line item budget amendment is submitted. The subject grant has been closed to the satisfaction of EID who is responsible for overseeing EPA grant programs.</p>

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MACOMB COUNTY, MICHIGAN

*Schedule of Findings and Questioned Costs (continued)*  
*Year Ended December 31, 1988*

Program	Finding	Questioned Costs
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Treatment Works Grant	<p><i>Condition</i>—During 1988, the U.S. Environmental Protection Agency (E.P.A.) performed an audit of Grant No. C262712-03 and has questioned \$495,770 in costs applicable to prior years. The grantee received no funding in 1988 under this grant.</p> <p><i>Effect</i>—The grantee is currently appealing the E.P.A.'s decision and a final determination has not been reached as of the date of this report.</p>	\$495,770

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CITY OF SALISBURY, MARYLAND

*Schedule of Findings and Questioned Costs*  
*Year Ended June 30, 1989*

Program	Finding/Noncompliance	Questioned Cost
	● ● ● ●	
EPA Wastewater Treatment Construction Grant	<p><i>Finding No. 1:</i> Project inspection fees for which reimbursement was requested included seven hours of holiday pay to the employee performing the inspection services.</p> <p><i>Recipient's Response:</i> Holiday pay should not be charged to the grant. A clerical error was made in completing the time sheet. A correction has already been made in the records to remove the cost on the next reimbursement request.</p> <p><i>Recommendation:</i> None required as corrective action has already been taken.</p> <p><i>Finding No. 2:</i> EPA Form 6005-1 has not been filed on a quarterly basis for subagreements awarded by the general contractor since September 30, 1987. This was included in the June 30, 1988, report as Finding No. 5.</p> <p><i>Recipient's Response:</i> The City is in the process of preparing and filing the required reports.</p>	\$123.55

Program	Finding/Noncompliance	Questioned Cost
	<i>Recommendations:</i> The City should prepare the EPA Form 6005-1 as required and continue to monitor this reporting requirement through the remainder of the grant.	

CHARTER TOWNSHIP OF DELTA, LANSING, MICHIGAN

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

Program	Finding	Questioned Cost
EPA #C262746-03	<ol style="list-style-type: none"> <li>1. Certain reserves established under the terms of the contract agreement were set up for liquidated damages. As the contract settlements have accrued the remaining portion of these reserves have been used to offset total construction costs. These reserves have been used to offset ineligible costs associated with the contracts. As the grant closes it may be determined that a portion of these costs would be related to eligible costs incurred which would then reduce the amount of reimbursable expenses associated with the grant. The total amount of the offset in 1988 was \$36,414.</li> <li>2. The Township incurred costs totaling \$40,900 which were deemed eligible under the terms of the contract but have not yet been included on the federal report.</li> <li>3. One of the construction contracts previously closed out is expected to go to arbitration.</li> </ol>	\$36,414

*Comments:* As the final phase of the Wastewater Treatment Project is completed, minor adjustments are expected. The Township is aware of this and plans to correct these differences during the closeout phase of the grant.

*Recommendations:* We recommend the Township continue its practice of updating the reimbursement requests as necessary when current and more accurate information becomes available. We further recommend the Township prepare a final project reconciliation detailing all the expenditures of the project and reconciling them with the federal reports and reports compiled by the Department of the Army Corps of Engineers.

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COUNTY OF NASSAU, NEW YORK

*Report on Compliance—Schedule of Findings and Questioned Costs*

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U.S. Environmental Protection Agency Construction Grants for Wastewater Treatment Works (66.418)  
Expenditures

*Situation:* During our review of expenditures, we noted several instances where certain memos and/or letters of documented approval were not included in the outlay report (i.e., Inter-departmental Memo, Approval Memo and Transmittal Memo).



*Recommendation:* We recommend that the Department enhance their existing controls to ensure that the Outlay Report folders contain all necessary documentation as required in Nassau County Grant Administration Procedures Manual. This would insure that all required approvals and authorizations have been obtained and would provide support indicating that the specific outlay was sent for reimbursement.

*Questioned Costs:* None.

*County's Response (Department of Public Works):* The outlay procedures regarding the approval of outlay by the Environmental Engineering Unit have been streamlined by instituting an informal arrangement whereby each outlay is sent to engineering prior to the transmittal of the outlay to NYSDEC. Engineering reviews the outlay and approves it by placing the initials of the reviewing individual on the draft outlay report.



CITY AND COUNTY OF HONOLULU, HAWAII

*Current Year's Findings of Noncompliance and Questioned Costs  
For the Fiscal Year Ended June 30, 1989*

<u>Program</u>	<u>Finding of Noncompliance</u>	<u>Questioned Cost</u>
Environmental Protection Agency (EPA)	<p style="text-align: center;"><i>Ineligible Costs</i></p> <p><i>Findings:</i> Items included in change order number 3 for the Sewer Tunnel Relief Increment 3 project were ineligible for federal funding. However, a request for reimbursement was made and received. The ineligible amount received was corrected in a subsequent request for reimbursement.</p> <p><i>Recommendation:</i> Establish procedures to ensure ineligible amounts are not included in requests for federal reimbursements.</p> <p><i>Administration's Comments:</i> Care will be taken to see that ineligible items will not be included for reimbursement in the future.</p> <p style="text-align: center;"><i>Kaneohe and Kailua Wastewater Treatment Plants</i></p> <p><i>Finding:</i> The Kaneohe and Kailua Wastewater Treatment Plants (WWTP) were in violation of their National Pollutant Discharge Elimination System Permit (NPDES). The State Department of Health issued a Notice and Finding of Violation on June 23, 1989, and August 14, 1989, respectively, to the City and County of Honolulu. The violations consisted of the following:</p> <ol style="list-style-type: none"> <li>1. The Kaneohe and Kailua WWTPs exceeded their effluent limitations for discharge of "biological oxygen demand" and "total suspended solids," and did not meet the limitation of the percent removal of "total suspended solids." The limitations are stated in the NPDES permit.</li> <li>2. Part II.A.8 of the NPDES permit states that the permittee shall at all times properly operate and maintain the facilities and systems of treatment and control which are installed or used by the permittee to achieve compliance with the NPDES permit. The Kaneohe WWTP was charged with six instances of noncompliance.</li> <li>3. Part II.A.10 of the NPDES permit prohibits bypasses. The Kaneohe WWTP had twelve bypasses for the</li> </ol>	None

Program	Finding of Noncompliance	Questioned Cost
	<p>period November 10, 1986, to June 23, 1989, that discharged less than secondarily treated effluent into State waters. The Kailua WWTP had bypasses on six days as a result of three separate instances for the period December 19, 1987, to April 9, 1989.</p> <p>The State has verbally agreed to allow the City to perform a water quality study over a three-year period totaling approximately \$230,000 in lieu of paying a fine. The consent agreement is currently being finalized.</p> <p><i>Recommendation:</i> Modify operations of the WWTPs to be in compliance with the current limitations set by the EPA or consider obtaining a waiver from the EPA increasing effluent limitations.</p> <p><i>Administration's Comments:</i> The following comments pertain to the three violations cited above:</p> <ol style="list-style-type: none"> <li>1. This paragraph refers to the effluent limit violations at Kailua and Kaneohe WWTPs. We would like to clarify that in addition to "total suspended solids" percent removal being exceeded, biochemical oxygen demand (BPD5) was exceeded at Kailua WWTP. In summary, there were eight effluent limit violations at each plant.</li> <li>2. It is assumed that this paragraph was focusing on the operation and maintenance discrepancies cited in the Kaneohe WWTP violation. There was only one operation and maintenance violation assessed against Kaneohe WWTP, not six as stated in the audit report (i.e., the six items were considered only one violation).</li> <li>3. This paragraph focuses on the bypass violations. Although twelve bypasses were listed in the Kaneohe WWTP violation, one bypass was erroneously included and the Department of Health has acknowledged that one of the bypasses should be deleted. At Kailua WWTP the Department of Health fined the City for three bypasses, not six as stated in the audit report.</li> </ol>	None



MUNICIPALITY OF ANCHORAGE, ALASKA

*Federal Financial Assistance Reports, Schedule of Findings and Questioned Costs Year Ended December 31, 1988*

U.S. Environmental Protection Agency  
Air Resources 1988 Grant No. A000088-88-2

*Finding:* OMB Circular A-102 Paragraph 883A requires that a grantee's financial accounting system provide accurate, current and complete financial results which support the request for reimbursement under Paragraph 883P of the same circular. The Municipality requested reimbursement on June 20, 1989, for the period ended December 31, 1988. The federal share of expenditures recorded in the accounting record at December 31, 1988, is \$84,129. The amount of reimbursements requested as of same date is \$93,074. The \$8,945 difference is for expenditures related to the grant but recorded in the accounting records in 1989.

*Questioned Costs:* None.

*Municipality Response:* The final report on this grant was filed in June 1989 and included all costs recorded in our accounting records through May 1989, including some valid grant expenditures that were recorded during 1989.

In the future, we will provide grant reporting that discloses amounts recorded in subsequent periods and any costs associated with authorized tasks extended beyond the original grant period.

Point Woronzof Phase I.11 and III Grant No. C020087-07

*Finding:* OMB Circular A-102, Paragraph 883A, requires that a grantee's financial accounting system provide accurate, current and complete financial results which support the request for reimbursement under Paragraph 883P of the same circular. The federal share of expenditures recorded in the accounting records at December 31, 1988, is \$15,344,522. The amount of reimbursements requested as of same date is \$15,346,055, resulting in a request for excess reimbursement of \$1,533.

*Questioned Costs:* None.

*Municipality Response:* The excess reimbursement amount mentioned of \$1,533 was a professional services invoice mistakenly entered on the financial schedule for this grant twice. An adjustment was made to this schedule at year-end 1988 and the subsequent reporting to the Environmental Protection Agency for the period ending March 31, 1989, included only eligible costs.

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## DEPARTMENT OF HEALTH AND HUMAN SERVICES

WASHINGTON COUNTY, OREGON

*Schedule of Findings, Questioned and Unresolved Costs  
For the Fiscal Year Ended June 30, 1989*

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Department of Health and Human Services

Alcohol, Drug Abuse and Mental Health Services Block Grant (CFDA No. 13.996), Social Services Block Grant (CFDA No. 13.667)

Under the requirements of the Single Audit Act of 1984, Washington County is responsible for determining that the expenditures of federal monies passed through to subrecipients are utilized in accordance with applicable laws and regulations. The County does require subrecipients to submit budgets, self-certified cost statements and annual financial audit reports in addition to making periodic site visits. However, the subrecipients do not conduct audits in accordance with the Circular A-128 or A-110 and the County does not perform specific procedures to determine that expenditures are made in accordance with applicable laws and regulations. It is our recommendation that the County require subrecipients to submit audits in accordance with Circular A-128 or A-110 and establish procedures to monitor expenditures of subrecipients to determine that they are in compliance with applicable laws and regulations.

*County Response:* As noted above, the County currently does a substantial amount of monitoring of subrecipient activity, from receiving actual subrecipient budgets, self-certified cost statements and annual financial audit reports and, in addition, makes a substantial number of program audits. The specific requirement is that the required audit be in conformance with the Single Audit Act. All contracts that are subject to this provision will include a single audit requirement clause, beginning with contracts for the period July 1, 1989-June 30, 1990. In discussions with the Federal Department of Health and Human Services, this action is satisfactory. The County Department of Health and Human Services will monitor those statements for compliance.

Other counties and state grantors believe that some subrecipients are actually vendors and not subject to the single audit requirements. We plan to pursue this. In the meantime, we are proceeding to establish requirements based upon the amount of monies paid to the providers. Our guidelines will be based upon reasonable expectations and the amount of funds received.

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METROPOLITAN DADE COUNTY, FLORIDA

*Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended September 30, 1988  
Current-Year Findings*



<u>Funding Source/ Program Name</u>	<u>Grant Number</u>	<u>Findings</u>	<u>Potential Reimbursement Effect— Over (Under)</u>
U.S. Department of Health and Human Services: Headstart Program	04CH-000122	<p><i>Compliance Requirement:</i> Enrollment and attendance levels must adhere to the levels specified in the Notice of Financial Assistance Award. The Program is required to maintain an enrollment level equal to the number of funded slots (3,025). The Program is also required to maintain a minimum average daily attendance rate of 85% of funded slots (2,571).</p> <p><i>Finding:</i> The Program's enrollment at September 23, 1988, was greater than the number of funded slots. Adequate enrollment records were not maintained throughout the year and accordingly, we were unable to determine the Program's compliance with this requirement. Additionally, the Program did not meet the minimum average daily attendance requirements for the period from September 1987 through June 1988.</p> <p><i>Grantee Response:</i> The Program is currently maintaining a new and adequate enrollment record system and has eliminated double sessions resulting in maintenance of the average daily attendance requirements.</p>	*
U.S. Department of Health and Human Services passed through State of Florida Department of Health and Rehabilitative Services: Social Services Block Grant/ Title V Educational Entrant	KJX 61/62	<p><i>Compliance Requirement:</i> The Provider shall submit to the Department, by September 30, 1988, a report of actual cost for subcontracted and directly operated centers covering the nine-month period ended June 30, 1988, for the purpose of negotiating the subsequent contract period.</p> <p><i>Finding:</i> The report of actual cost for the nine-month period ended June 30, 1988, was not submitted to the grantor agency by September 30, 1988.</p>	*

\*Reimbursement effect is either nominal, not ascertainable or not applicable.

*Schedule of Findings and Questioned Costs (continued)*

<u>Funding Source/ Program Name</u>	<u>Grant Number</u>	<u>Findings</u>	<u>Potential Reimbursement Effect— Over (Under)</u>
		<i>Grantee Response:</i> The report of actual cost for the nine-month period ended June 30, 1988, was submitted to the grantor agency on July 20, 1989. The late report was accepted by the grantor agency.	

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COUNTY OF ORANGE, NEW YORK

*Schedule of Findings and Questioned Costs With Auditee's Response for Corrective Action  
For the Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Auditee's Response</u>
U.S. Department of Health and Human Services: Indirect Program— Passed through New York State Department of Social Services: Child Care Title IVE 13.658	Audit procedures require testing case files to ascertain whether or not all documentation is contained in the file. Birth certificates were not located in six of the twenty-four files sampled.		We are attempting to locate the missing documentation. We believe they may be filed in another file for a different type of aid.

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DELAWARE COUNTY, NEW YORK

*Schedule of Findings and Questioned Costs  
Year Ended December 31, 1988*

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
Department of Health and Human Services Low-Income Home Energy Assistance	During our comparison of monthly totals between Monthly Statement of Expenditures and Claims Forms (RF-8) and County records, we noted one instance in which the total on the RF-8 exceeded the total on County records.  We recommend that the County take appropriate steps to ensure that monthly RF-8 claim totals accurately reflect amounts from County records.  Of the case files audited, one notice of final action was dated later than the 30-day limitation.  We recommend that the County complete the notice of final action within the 30-day limit.  The RF-8 was submitted after the required 20th day of the following month for every month during 1988 except August.	\$1,711.00

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<p>We recommend that the County take the appropriate steps to ensure that the Monthly Statement of Expenditures and Claims Forms be submitted on a timely basis.</p> <p>Of the case files audited:</p> <ul style="list-style-type: none"> <li>• One file was missing the WMS Clearance Report.</li> <li>• One file indicated a payment of emergency benefits in excess of the allowable amount.</li> <li>• One file did not contain a recertification guide which was effective at the time of payment.</li> </ul> <p>We recommend that the County maintain WMS Clearance Reports in all files, that benefit guidelines be strictly adhered to, and that case files be reviewed on a regular basis to ensure adequate updating and documentation of eligibility.</p> <p>Of the denial files audited, two Notices of Eligibility Decision were not sent within the required 30-day period.</p> <p>We recommend that the County take appropriate steps to ensure that the Notice of Eligibility Decision is prepared within the 30-day limit.</p> <p>The Monthly Claim Form (RF-2) was submitted after the required 20th day of the following month for every month during 1988.</p> <p>We recommend that the County take the appropriate steps to ensure that the Monthly Claim Forms be submitted on a timely basis.</p>	<p>\$156.65</p> <p>75.00</p> <p>337.00</p>
Aid to Families With Dependent Children		
	<p>We recommend that the County take appropriate steps to ensure that the Notice of Eligibility Decision is prepared within the 30-day limit.</p> <p>The Monthly Claim Form (RF-2) was submitted after the required 20th day of the following month for every month during 1988.</p> <p>We recommend that the County take the appropriate steps to ensure that the Monthly Claim Forms be submitted on a timely basis.</p>	
Medical Assistance	<p>Two cases were noted in which payments were made directly to participants for health insurance premiums, and one of them did not contain adequate backup documentation to substantiate an allowable cost.</p> <p>We recommend that the County comply with payment provisions of the State plan and maintain adequate documentation to support all payments.</p> <p>In our testing of denial cases, we noted three instances in which Notices of Decision were not sent to applicants within the required 30-day period.</p> <p>We recommend that the County take appropriate steps to ensure that the Notice of Decision is communicated within the 30-day limit</p>	<p>\$197.66</p>

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FREMONT COUNTY [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
A. Social Services Block Grant	While examining the administrative transactions of the Social Services Department it was discovered that funds were used to pay interest on indebtedness	<u>\$ 550</u>

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
	related to equipment purchases. Pursuant to Circular A-87, interest on indebtedness is an unallowable cost.	
B. Social Services Placement Alternative Care	As a result of an embezzlement by the former Social Services Director, the State Department of Social Services estimates this amount of unauthorized payments was from federal financial assistance programs and is requesting reimbursement from the County. A separate report on illegal acts was issued.	<u>\$10,050</u>

*Response:*

- A. The County acknowledges this cost as unallowable; however, such cost is reported in our statement of expenditures to State Social Services as a nonreimbursable cost, i.e., no reimbursement of this cost through federal financial assistance.
- B. Although this amount has been recorded as a liability of the County's Social Services Fund, the commissioners have yet to decide whether to contest this liability.

CHATHAM COUNTY, GEORGIA

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>County Response</u>
Child Support Enforcement 13.679 Dept. of Human Resources	The contract with the Georgia Department of Human Resources requires expenditure reports to be submitted on a monthly basis, not later than ninety days after the end of the month. Expenditure/reimbursement requests have been submitted on a quarterly basis after the ninety-day time limit for some months during 1988.	N/A	Starting in 1989, the Child Support Recovery Unit will begin submitting monthly reimbursement requests within the ninety-day time requirement.



BOULDER COUNTY [COLORADO]

*Schedule of Findings and Questioned Costs  
Year Ended December 31, 1988*

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
Child Welfare— Foster Care	A foster care home was over-reimbursed because its provider status was changed from a speciality group care rate to a family foster home rate. The classification change was documented, but the reimbursement rate was not changed.	\$2,160

MORGAN COUNTY, ILLINOIS

*Schedule of Findings and Questioned Costs  
Year Ended August 31, 1988*

*Finding No. 1:* During our testing of expenditures, we found the Grantee's costs for direct client assistance in the Community Services Block Grant for the Homeless (#88-62137) included \$250 for rent deposits which is an unallowed expense.

*Recommendation:* We recommend the Grantee monitor actual costs to insure expenditures are for allowable services only.

*Grantee Response:* As a Homeless Grant application, the restriction on rent deposit payment was self-imposed and not a limitation by the funding source to our knowledge. The recommendation of the auditors shall be implemented to prevent future errors of this sort.



COUNTY OF CHESTERFIELD, VIRGINIA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Title VI-B: Assistance to States for Education of Handicapped Children, Flowthrough	The County received a grant award of \$283 per child based on student head count information provided by the County in the grant application. We found that the head counts submitted to the grant coordinator by the individual schools totaled five students less than the head count actually submitted to the state on the grant application, resulting in a higher grant award. We have been advised that the County has implemented the computerized head count package designed by the state for the Flowthrough Program to help ensure that future head counts submitted to the state are accurate.	\$1,415
Title VI-B: Assistance to States for Education of Handicapped Children, Flowthrough	The County uses these grant funds to pay the salaries of the individuals providing the special education services to the handicapped children in the program. Of the twenty expenditures tested on reimbursement requests submitted throughout the current fiscal year, we found one instance where the salary amount requested for reimbursement included monies paid to the individual for coaching gymnastics. Grant reimbursements should only include base salary amounts. We recommend that the County enhance its review of quarterly reimbursement requests to include a scan of monthly amounts for each teacher and investigate any fluctuations prior to submitting the request to the state. This will help ensure the completeness and accuracy of each request.	\$1,169



WASATCH COUNTY [UTAH]

*Schedule of Findings and Questioned Costs—Prior Period  
December 31, 1988*

<u>Program</u>	<u>Finding, Condition and Recommendation</u>	<u>Questioned Costs</u>
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Schedule of Findings and Questioned Costs (continued)

<u>Program</u>	<u>Finding, Condition and Recommendation</u>	<u>Questioned Costs</u>
U.S. Department of Health and Human Services Title XX for Drug and Alcohol	1. <i>Finding:</i> Mountainland Association of Governments, which is the pass-through agency that provides funding to Wasatch County, reimbursed the County \$1,190.58 in excess of the contract amount. The Contract amount was \$4,624.49; however, the County was reimbursed \$5,815.07. <i>Current Status:</i> This finding has been corrected in the current period.	\$1,190.58
U.S. Department of Health and Human Services Special Program for Aging Title III C, Nutrition	2. <i>Finding:</i> Mountainland Association of Governments reimbursed the County \$527.76 in excess of the contract amount. The contract amount was \$19,378.00; however, the County was reimbursed \$19,905.76. <i>Current Status:</i> This finding has been corrected in the current period.	\$ 527.76

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COUNTY OF WESTCHESTER, NEW YORK

Schedule of Findings and Questioned Costs with Auditee's Response for Corrective Action  
For the Year Ended December 31, 1988

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Auditee's Response</u>
U.S. Department of Health and Human Services Indirect Program— Passed through New York State Department of Social Services Child Care Title IVE 13.658	Regulations require that documentation such as birth certificates should be made part of a permanent file on a case. Seven out of 17 cases tested did not contain this record. We recommend that all files contain required documentation.	\$ —	We agree with the recommendation.
Aid Families— Dependent Children 13.808	Audit procedures require testing case files to ascertain whether or not all documentation is contained in the file. Of the 30 files selected the following forms of documentation were missing:	\$ —	We agree with the recommendation.

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<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Auditee's Response</u>
	Original Application	2	
	Verification of Rent	8	
	Budget Data	5	
	Recertification	4	
	Location of Father	3	
	Birth Certificate	2	

We recommend that the files contain all required documentation.

\$-0-

HAMILTON COUNTY, TENNESSEE

*Schedule of Audit Findings and Questioned Costs  
Year Ended June 30, 1989*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
U.S. Department of Health and Human Services		
Child Support Enforcement Program—Title IV-D	<p><i>Finding #1:</i> This program utilizes an indirect cost percentage under the provisions of OMB Circular A-87. The Child Support Division used an indirect cost percentage of 20.02% throughout the year. After the beginning of the year, the Child Support Division was notified that the appropriate percentage was 19.56%. Although one retroactive adjustment was made, the contract was overcharged by \$944.11.</p> <p><i>Management Response:</i> The Department does not receive indirect cost percentage adjustments on a timely basis. The retroactive adjustment was intended to correct any variations in the charges.</p>	\$944.11
Education of the Handicapped Act—Part B	<p><i>Finding #2:</i> An expenditure which did not relate to the grant period ended June 30, 1989, was charged to that period. The related services and the payment occurred after June 30, 1989.</p> <p><i>Management Response:</i> The system enters purchase orders in the period after year-end as a payable at year-end rather than as encumbrance regardless of invoice date. The staff has been instructed to be aware of this feature of the system and review all purchase orders for proper classification as to the period. This invoice was overlooked in this process.</p>	\$127.28
Local Health	<p><i>Finding #3:</i> The contract between the State of Tennessee and Hamilton County states that the expenditure reports and payment request should be filed within 30 days following the end of each monthly reporting period; however, these reports were not filed as stipulated.</p> <p><i>Management Response:</i> There has been no notification from the State of Tennessee regarding this matter. Until notification is received, management believes filing is considered adequate by the State.</p>	\$ -0-

COUNTY OF LEBANON, PENNSYLVANIA

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

Compliance with Laws and Regulations

1. Federal Program—Social Service Block Grant  
County Department—Human Services  
Questioned Costs—\$-0-

In accordance with the Social Security Act, Section 2004, the County is required to publish a report on the intended use of block grant funds, the types of activities to be supported and the categories or characteristics of individuals to be served prior to expenditure of funds in a way to facilitate public comment.

The County published the required notice for the fiscal year July 1, 1988, to June 30, 1989, on July 2, 1988, which allowed no time for public input.

2. Federal Program—Social Service Block Grant  
County Department—Human Services  
Questioned Costs—\$-0-

In accordance with the Social Security Act, Section 2006, a report must be made public at least every two years describing the purpose of expenditures, activities performed, and extent to which funds were spent in a manner consistent with the intended use report.

The County has not complied with the requirement.



COUNTY OF TULARE [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

Program	Findings/Noncompliance	Questioned Costs																																																
Assistance Payments/ Maintenance Assistance (Aid to Families with Dependent Children)	<p>1. <i>Condition:</i> Eleven Summary of Assistance Expenditure Reports were filed late as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Date Report Filed</th> <th style="text-align: center;">Due Date</th> <th style="text-align: center;">Days Late</th> </tr> </thead> <tbody> <tr><td>July 1988</td><td>8/11/88</td><td>8/10/88</td><td>1</td></tr> <tr><td>August 1988</td><td>9/19/88</td><td>9/12/88</td><td>5</td></tr> <tr><td>September 1988</td><td>10/21/88</td><td>10/12/88</td><td>7</td></tr> <tr><td>October 1988</td><td>11/17/89</td><td>11/10/88</td><td>5</td></tr> <tr><td>November 1988</td><td>12/20/88</td><td>12/12/88</td><td>6</td></tr> <tr><td>December 1988</td><td>1/13/89</td><td>1/11/89</td><td>2</td></tr> <tr><td>February 1989</td><td>3/17/89</td><td>3/10/89</td><td>5</td></tr> <tr><td>March 1989</td><td>4/18/89</td><td>4/12/89</td><td>4</td></tr> <tr><td>April 1989</td><td>5/15/89</td><td>5/10/89</td><td>3</td></tr> <tr><td>May 1989</td><td>6/19/89</td><td>6/12/89</td><td>5</td></tr> <tr><td>June 1989</td><td>7/17/89</td><td>7/12/89</td><td>3</td></tr> </tbody> </table>		Date Report Filed	Due Date	Days Late	July 1988	8/11/88	8/10/88	1	August 1988	9/19/88	9/12/88	5	September 1988	10/21/88	10/12/88	7	October 1988	11/17/89	11/10/88	5	November 1988	12/20/88	12/12/88	6	December 1988	1/13/89	1/11/89	2	February 1989	3/17/89	3/10/89	5	March 1989	4/18/89	4/12/89	4	April 1989	5/15/89	5/10/89	3	May 1989	6/19/89	6/12/89	5	June 1989	7/17/89	7/12/89	3	None
	Date Report Filed	Due Date	Days Late																																															
July 1988	8/11/88	8/10/88	1																																															
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May 1989	6/19/89	6/12/89	5																																															
June 1989	7/17/89	7/12/89	3																																															

*Criteria:* Summary of Assistance Expenditure Reports filed with the State Department of Social Services shall be forwarded by the counties so as to be received no later than the 8th working day immediately following the month of claim.

*Effect:* When expenditures claims are submitted late they cannot be included in the quarterly expenditure reports submitted by the State to the Federal government.

Program

Findings/Noncompliance

Questioned  
Costs

The result is a reduction in Federal funds available to disburse. All counties in the State share in the shortage.

*Cause:* The department stated that the filing due date does not allow enough time to prepare the expenditure reports.

*Recommendations:* All monthly claims should be submitted no later than the 8th working day immediately following the month of claim.

*Department Response:* The department cited the State Department of Social Services (SDSS) All-County Information Notice No. 1-96-87 which states that the SDSS has negotiated an unofficial extension which sets the assistance claim due dates as follows:

Assistance Claims—20 calendar days after the end of the claiming month.

Administrative Claims—30 calendar days after the end of the claiming month.

*Corrective Action Plan:* The department will try to submit the monthly claims to State on time.

2. *Condition:* Administrative Claims Reports were filed late as follows:

None

<u>Quarter</u>	<u>Due Date</u>	<u>Date Report Filed</u>	<u>Days Late</u>
9/88	10/18/88	11/04/88	13
12/88	1/17/89	2/09/89	17
3/89	4/18/89	4/25/89	5
6/89	7/18/89	7/26/89	6

*Criteria:* Administrative Claim Reports filed with the State Department of Social Services shall be forwarded by the counties so as to be received no later than the 12th working day immediately following the quarter of claim.

*Effect:* When expenditure claims are submitted late they cannot be included in the quarterly expenditure reports submitted by the State to the Federal government. The result is a reduction in Federal funds available to disburse. All counties in the State share in the shortage.

*Cause:* The department stated that the filing due date does not allow enough time to prepare the expenditure reports.

*Recommendations:* All quarterly claims should be submitted no later than the 12th working day immediately following the quarter of claim.

*Department Response:* The department cited the State Department of Social Services (SDSS) All-County Information Notice No. 1-96-87 which states that the SDSS has negotiated an unofficial extension which allows the County's due dates to be unofficially set at:

Assistance Claims—20 calendar days after the end of the claiming month.

Administrative Claims—30 calendar days after the end of the claiming month.

Schedule of Findings and Questioned Costs (continued)

Program	Findings/Noncompliance	Questioned Costs
	<p><i>Corrective Action Plan:</i> The department will try to submit the monthly claims to the State on time.</p> <p>3. <i>Condition:</i> The department's records did not agree to the State's desk-audited claims.</p> <p><i>Effect of Condition:</i> This condition caused the department's records to disagree with the audited amounts.</p> <p><i>Cause:</i> The department did not adjust its records to the desk audited amounts when it received the State-approved claims back from the State.</p> <p><i>Recommendation:</i> The department should make adjustments to its records periodically after receiving the State-approved claims from the State, so as to bring its records into agreement with the State-approved claims.</p> <p><i>Department Response:</i> The department agreed with this recommendation.</p>	None



WAUKESHA COUNTY, WISCONSIN

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988

Current-Year Findings and Questioned Costs

Program	Finding/Noncompliance	Questioned Costs						
Social Services Block Grant								
Contract No. 1988	<p><i>Observation:</i> A difference between the final reimbursement claim form submitted to the State of Wisconsin and the County's general ledger was noted as follows:</p> <table style="margin-left: 40px;"> <tr> <td>Expenditures per final claim form</td> <td style="text-align: right;">\$23,687,182</td> </tr> <tr> <td>Expenditures per general ledger</td> <td style="text-align: right;"><u>23,689,984</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ (2,802)</u></td> </tr> </table> <p>The difference resulted from an unidentified adjustment to the general ledger.</p> <p><i>Recommendation:</i> To assure that the expenditures incurred during a fiscal year are being reported correctly, any differences between the reimbursement claim form and the general ledger should be reconciled and appropriate adjustments should be made. In addition, the County should file an amended claim form and/or contact the provider with the adjustment.</p> <p><i>Community Human Services Department Response:</i> The Community Human Services Department will perform reviews monthly of expenditures with a formal reconciliation on a quarterly basis being completed. In addition, on March 22, 1989, the County Board adopted an ordinance (142-166) restructuring the Fiscal/Administrative Support Division. The ordinance created a Budget Technician classification which is responsible for preparing financial reports and reconciliations as recommended in this finding.</p>	Expenditures per final claim form	\$23,687,182	Expenditures per general ledger	<u>23,689,984</u>		<u>\$ (2,802)</u>	\$(2,802)
Expenditures per final claim form	\$23,687,182							
Expenditures per general ledger	<u>23,689,984</u>							
	<u>\$ (2,802)</u>							



BUTTE COUNTY [MONTANA]

*Schedule of Findings and Questioned Costs*

U.S. Department of Health and Human Services

1. *Statement of Condition:* Of sixty case files examined, seven files contained income reports (Form CA-7) which had not been signed and dated by an eligibility worker.

*Effect:* There is a lack of evidence that the income reports are being monitored each month. The income reports affect the monthly aid disbursed to AFDC recipients and are therefore important to the determination of grant payment amounts.

*Recommendation:* We recommend that all income reports be reviewed by eligibility workers and that such review be evidenced within the case file.

*Management's Response:* The Welfare Department agrees with the recommendation and continues to emphasize the need for CA-7 review to the eligibility staff. The Department's AFDC Prioritization Task List specifically addresses the processing of CA-7s which would contain reported changes and, therefore, impact aid payments.

2. *Statement of Condition:* We reviewed sixty AFDC case files and noted one instance of a direct payment to a vendor for housing costs after the aid recipient had requested that the vendor payments cease and the recipient's direct payment be increased accordingly.

*Effect:* This resulted in an overpayment of \$265 as the recipient's aid was increased and the vendor payment continued. The vendor received an erroneous payment for rental services no longer being provided.

*Recommendation:* We recommend that procedures be developed to monitor any changes to the recipient's payment breakdown to ensure that they are properly entered into the system.

*Management's Response:* Current manual procedures should not allow for this type of error to occur. The case in question reflects a failure of accounting personnel to process the action as authorized by the eligibility worker. There is currently no systems program available to preclude this type of occurrence.

3. *Statement of Condition:* Of sixty AFDC case files examined, two files contained incomplete AFDC applications (Form CA-2). The final section of the application was left blank and lacked the required eligibility worker's signature.

*Effect:* The final section of the AFDC application documents the eligibility worker's determination of the recipient's eligibility and the effective date of the aid. Even though the recipients in question were in fact eligible, leaving this section blank causes a lack of evidence that the eligibility worker completed the determination.

*Recommendation:* We recommend that all CA-2 application forms be reviewed on a consistent basis for completion of the relevant sections.

*Management's Response:* The Welfare Department concurs with this recommendation. Completion of the County Use Section of the CA-2 is not governed by regulatory authority; however, the County agrees that its completion is indicative of an eligibility worker review.

4. *Statement of Condition:* We reviewed sixty AFDC case files and noted one instance where an AFDC application (Form CA-2) was not signed by an eligibility supervisor on an initial application.

*Effect:* All initial applications, including inter-county transfers, are to be reviewed by an eligibility supervisor to ensure that the proper eligibility determination has been made and that all required verification documentation has been obtained. Even though the recipient in question was in fact eligible, the supervisor's signature evidences that this review has been performed.

*Recommendation:* We recommend that all initial applications be reviewed by an eligibility supervisor and that this review be evidenced in the case file.

*Management's Response:* The Department agrees with the recommendation and is committed to assuring all applications and inter-county transfers are subject to supervisory review.

Even though Form CA-2 was not signed by an eligibility supervisor, the case in question was reviewed by a supervisor as evidenced by the signature on the authorization document in the case file.

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CLEVELAND COUNTY, NORTH CAROLINA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989

Questioned  
Costs

Finding 1: Quarterly Reports Filed Late

*Programs:* CFDA 13.992 Alcohol and Drug Abuse Mental Health Services Block Grant, and State Mental Health Programs

*Description:* The Mental Health Department's quarterly reports of receipts and expenditures were not filed within the required time period.

*Statistics:* All four quarterly reports were not filed timely, as follows:

<u>Quarter Ended</u>	
September 30, 1988	58 days late
December 31, 1988	9 days late
March 31, 1989	13 days late
June 30, 1989	18 days late

*Apparent Cause:* The County does not generate quarterly expenditure and revenue reports until the end of the first week following the quarter-end and the program administrator takes approximately two weeks to prepare the quarterly reports.

*Evaluative Criteria:* All programs receiving funds administered by the Division of Mental Health shall submit quarterly reports of receipts and expenditures no later than the fifteenth of the month following the end of the quarter being reported on (25 APSM 75-1 (.1004)) (10 NCAC 14C (.1004)).

None

*Auditee Response:* In regard to the September 30, 1988, report, the County Mental Health Department advised the regional office of the N.C. Department of Human Resources that this report would be submitted late because the County Commissioners were late in approving the final state allocations. This report was submitted 7 days after the Commissioner's approval on December 5, 1988.

The other three quarterly reports were late due to the time required for the County to produce its general ledger, which is used to prepare the quarterly reports. Because the County finance department generally produces the general ledger approximately ten days following the month which is being reported upon, the Mental Health Department maintains that it is unable to meet the filing deadline. A separate general ledger system to expedite the reporting process is not considered to be a feasible alternative.



COUNTY OF WELD [COLORADO]

Schedule of Findings and Recommendations  
For the Year Ended December 31, 1988

*Program:* Migrant Head Start

*Findings/Noncompliance:* Program attendance was below the 85% level required by the federal financial assistance in all months except August 1988.

*Recommendation:* As this deficiency appears to be recurring, the County should obtain a waiver or modification of the award requirement.

*Response:* The Weld County Division of Human Resources' Migrant Head Start Program is unable to meet the required 85% average daily attendance level because of the seasonal nature of crops in Weld County. The migrant families move in and out of the County with each different crop harvest during the entire summer period. This means that the same families do not stay in the area for the entire summer. Even though the Migrant Head Start Program did not meet the required average daily attendance, it was able to serve 489 migrant children in 1988, as opposed to the funded level of 200 children.

Health and Human Services has been evaluating this performance standard and attempting to find a more equitable manner of determining this standard. The Weld County Migrant Head Start Program has been a part of this evaluation and will continue to provide input at the federal level.

NEW HANOVER COUNTY, NORTH CAROLINA

*Schedule of Findings and Questioned Costs*  
*Year Ended June 30, 1989*

Program	Findings/Recipient Responses	Questioned Costs
Health and Human Services North Carolina Fiscal Reporting Requirements	<i>Finding</i>	
	1. Of four employees tested, two employees did not account for eight hour days on their monthly sheets. These two employees are reported at 100% on either Parts 1A, 1B or 1C of the DSS 1571 and accounted for only their direct program time.	1. None
	<i>Recipient Response</i>	
	1. Finding was also reported in the prior fiscal year. Per the SIS User's Manual Section 3.3, the day sheets should record all time of the employee including administrative leave and direct program time. Beginning in the 1989-1990 fiscal year, an employee will reconcile day sheets to time sheets for one month out of each quarter.	
	<i>Finding</i>	
	2. Of twelve months 1571 reports reviewed, four reports were mailed twenty-one days after the end of the month or later. Reports are to be submitted to the State Office by the 7th working day, but no later than the 20th day.	2. None
	<i>Recipient Response</i>	
	2. County is aware of due date. Reports received from County Finance used to prepare the 1571 reports were not received timely, therefore delaying the preparation of the report.	
	<i>Finding</i>	
	3. Of eight vendors for purchased services, a contract was not maintained by New Hanover County for Wilmington Transit Company, reported on Part IV of the 1571 report.	3. \$3,772
<i>Recipient Response</i>		
3. A contract will be obtained with Wilmington Authority for each fiscal year beginning with fiscal year 1989-1990.		
<i>Finding</i>		
4. Of twelve months 1571 reports reviewed, one report had incorrectly reported occupancy costs. Per DHR, Division of Social Services, the excess depreciation of \$33,278 related to the abandonment of a building is unallowable.	4. None	
<i>Recipient Response</i>		
4. A correction of this incorrect reporting was made on the June 1989 1571 report.		
<i>Finding</i>		
5. Twelve months of 1571 reports reconciled to the general ledger result in a total underreporting. Almost all of the underreporting related to June 1988 payroll accruals not picked up in fiscal years 1987-88 or 1988-89.	5. (\$20,523)	



*Schedule of Findings and Questioned Costs (continued)*

Program	Findings/Recipient Responses	Questioned Costs
	<i>Recipient Response</i>	
	5. Ledger and report reconciliations will be completed by the end of subsequent month and a quarterly review conducted to allow differences to be readily identified and corrections made immediately.	
	<i>Finding</i>	
	6. Of four cases tested, one case failed to document the time spent by an employee that had been reported on the employee's day sheet.	6. None
	<i>Recipient Response</i>	
	6. County personnel are aware that documentation should be in client files; however, due to the existing workload documentation was overlooked. The Assistant Director has directed the supervisors to stress the importance of case documentation on day sheets.	
	<i>Finding</i>	
	7. Of twelve months 1571 Part IVs, the amount of reimbursement report for two vendors exceeded the amount of reimbursement per the vendor agreement (DSS-1292).	7. \$750
	<i>Recipient Response</i>	
	7. Accounting/Fiscal Services will be the central filing point for vendor agreements and purchase contracts beginning in the fiscal year 1989-1990 to ensure proper monitoring.	
Health and Human Services AFDC (CFDA 13.780)	<i>Finding</i>	
	1. Of six profiles, two profiles had incorrect social security numbers identifying the members of the household. The social security number on the case profile did not agree with actual social security card. In the prior year, of ten profiles, two profiles had incorrect social security numbers and were not corrected during the fiscal year 1988-1989.	1. None
	<i>Recipient Response</i>	
	1. The correct data was keypunched per documents submitted; however, profiles received from the State were incorrect. The errors should have been detected and corrected during the input verification process of the profiles. Employees are now being instructed to proof DSS-8124s and DSS-8125s against the profiles to ensure accurate data gets into the system. Additionally, extensive training on the use of the state terminals and the need for DSS-8128s will be started.	
	<i>Finding</i>	
	2. Of six cases tested, one case has not had a six month review completed for July 1988, or thereafter.	2. Unknown
	<i>Recipient Response</i>	
	2. Although a review was not completed, the client continued to receive benefits. The eligibility of this client is unknown because reviews were not completed. To catch up on such reviews beginning in August 1988, the department implemented group reviews and mailed out reviews. The department will monitor case management sheets to ensure that cases are reviewed on time.	

Program	Findings/Recipient Responses	Questioned Costs
Health and Human Services Medical Assistance (CFDA 13.714)	<i>Finding</i> 1. Of four case files examined, two cases had been investigated and completed at June 30, 1989, however, Form 1657 which notifies the Division of Medical Assistance of public assistance overpayments had not been completed and reported to the State.	1. None
	<i>Recipient Response</i> 1. The supervisor of the DSS Investigative Unit will begin performing second party reviews of all cases investigated to ensure all forms are completed.	
Health and Human Services Women, Infants, Children (CFDA 10.557)	<i>Finding</i> 1. Of one month's transactions on DHS-3308 (manual food instrument log), one transaction failed to document a signature for the issuance of food instruments.	1. None
	<i>Recipient Response</i> 1. The WIC program manual requires the signature of the client or the agency, for the issuance of food instruments. Due to the workload of the WIC Unit, this was an oversight.	
	<i>Finding</i> 2. Of six computer food instrument logs, one transaction failed to document on DHS-3367 the hardship of the client as reason for mailing the food instrument.	2. None
	<i>Recipient Response</i> 2. Due to the workload of the WIC Unit, this was an oversight.	
	<i>Finding</i> 3. Twelve months of expenditure reports reconciled to the general ledger result in a total under reporting.	3. (\$9,983)
	<i>Recipient Response</i> 3. The under reporting was determined by the Grants Coordinator who began filing the monthly expenditure reports in July 1989. The August 1988 and June 1989 expenditure reports were amended in September 1989. In October 1989, the June 1989 [expenditures] of \$4,995 have been reimbursed to the County.	

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COUNTY OF NASSAU, NEW YORK

*Report on Compliance—  
Schedule of Findings and Questioned Costs*

U.S. Department of Health and Human Services  
Foster Care—Title IV-D  
(13.658)

Third-Party Health Insurance

*Situation:* When a child is taken into protective services or foster care, the Department of Social Services does not have an established investigative process to follow up on any third party health insurance the natural parents may hold. Under NYS Regulation Title 18, Part 360.9, the county is required to fully utilize resources including health, hospital or accident insurance benefits. Presently, the foster care children are given Medicaid benefits without Medicaid being reimbursed by outside resources in most cases.

*Recommendation:* We recognize that this is a sensitive matter since a natural parent is not usually willing to cooperate with the Department on this issue since most children are taken involuntarily. The natural parents' rights to privacy must be carefully monitored and investigative action taken must be legal. [We] recommend that the Department establish a procedure within the legal limits to investigate the natural parents' health insurance.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* Administrative 89 ADM 36 dated September 27, 1989, has been issued and contact was made with the Assistant Director and the supervisor of the 3rd Party Payment Unit. There is a procedure and a process as outlined in the Administrative Directive. The supervisor of the 3rd Party Payment Unit will review this procedure at the next supervisor's meeting. These steps should further compliance.

#### Redetermination of Eligibility

*Situation:* Seventeen out of 155 case files selected for testing did not contain the Redetermination of Eligibility. When a redetermination of eligibility is not done within six months, the County is in direct violation of Administrative Directive 84 ADM-4 dated February 10, 1984.

*Recommendation:* Recertification should be performed within the required six-month anniversary period and case files should be periodically reviewed for completeness. Use of a checklist can be helpful to readily determine that the required documentation is present.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* Seventeen out of 155 cases did not contain the redetermination of eligibility. These have been corrected. A checklist will include this item.

#### Out-of-State Redeterminations

*Situation:* During our review of 155 case files, we noted two files in which the foster child was placed in a foster home outside of New York State, and the redetermination of Title IV-E eligibility was not performed. The unit workers were uncertain whether the redetermination of eligibility was to be prepared in New York State or by the state in which the child resides.

*Recommendation:* All foster care caseworkers should be aware that administration of Title IV-E eligibility redeterminations remains the responsibility of the district within the state which placed the child. We also recommend development and maintenance of a monitoring system to track cases for timely and periodic and systematic reviews of information in the system for completeness.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* Two cases placed in foster care out of New York State did not have their IV-E eligibility done. These were completed. There is a system in place to monitor timely recertification. This will be reviewed to see if the out-of-state placement was a factor.

#### Ineligible Foster Care Recipients

*Situation:* During our review of 155 case files, we noted four cases in which the foster care child was over the age limit for eligibility yet still coded Title IV-E eligible.

*Recommendation:* A more detailed review by the caseworker and supervisor is needed when completing the Redetermination of Eligibility (Form DSS 3695). The birthdate is indicated on the top of the form so the foster child's age can be easily determined. This prevents Nassau County from being in violation of New York State Regulation Title 18, Part 426.3(9) which states that the child must be 18 years of age, or under the age of 19 and a full-time student, and is expected to complete the program before reaching age 19.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* The four cases out of the 155 case sample who were over age yet still coded for Title IV-E, were corrected. This issue was brought to the attention of the supervisor.

#### Supervisory Approval

*Situation:* Two case files of 49 Adoption Assistance case files selected for testing did not have the supervisor's signature on the eligibility form for Title IV-E Adoption Assistance (DSS 3912).

*Recommendation:* The eligibility form for Title IV-E Adoption Assistance (DDS 3912) documents the County's review of the eligibility requirements. Per New York State Regulation Title 18, Part 426.5, the form also documents the supervisor's review and authorization of the case. All forms that require sign-off by the eligibility supervisor should be signed to evidence review.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* Two case files of 49 lacked the supervisor's signatures of Form 3912. These have been completed and brought to supervisor's attention.

#### UCR Record

*Situation:* During our review of 204 Title IV-D Foster Care/Adoption Assistance case files, we noted 1 case file missing the UCR record.

*Recommendation:* Adequate controls to safeguard case records should be in effect at all times. There should be periodic and systematic reviews of case files for completeness of documentation.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* The Adoption/Foster Care Assistance UCR Case Record was located. Cases are reviewed every six months for completeness.

#### Redetermination of Eligibility

*Situation:* During our review of 49 case files related to Title IV-E Foster Care Administrative/Eligibility, we noted one Adoption Assistance case in which the annual Financial Eligibility letter was not signed and returned by the adoptive parents. This letter is the signed documentation by the adoptive parents indicating that they continue to be legally responsible for the support of the child and that the child physically continues to receive that support.

*Recommendation:* The department should establish a better control over the receipt of this signed letter from the adoptive parents. This letter is necessary to establish continued legal responsibility for the support of the child and it is the County's sole documentation of this requirement for continued eligibility for Title IV-E Adoption Assistance Payments.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* A letter was mailed to the adoptive parents with a request for their signature. A signed letter was received with the proper signatures.

#### Applications

*Situations:* During our review of 204 Title IV-E Foster Care/Adoption Assistance case files, we noted the following:

1. A lack of the supervisor's signature on the application (DSS 2921) in eight case files.
2. Five case files did not contain applications in the UCR record or the Income Maintenance folder.

*Recommendation:* To be in compliance with New York State Regulation Title 18, Part 426.3(h), the County must have an application in the UCR record. The County should have controls in place to monitor the location of the applications and all applications should be authorized by the unit supervisor.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* All the above findings were corrected. Supervisors were notified to execute more care and control in the performance of this function. Review procedures will check for compliance.

U.S. Department of Health and Human Services  
Assistance Payments—Maintenance Assistance  
(Aid to Families With Dependent Children)  
(13.808)

#### Notification of Acceptance

*Situation:* During our review of 196 case files under the Administrative/Eligibility testwork, we noted 146 case files which did not contain the notice of acceptance/denial letter. Per New York State Regulation Title 18, Part 369.6(a), the determination or conclusion reached in regard to eligibility

or ineligibility for ADC shall be made within 30 days after the filing of the application. The applicant is required to be notified of this decision in writing.

*Recommendation:* We recommend that controls over the maintenance of files be enhanced to avoid the potential of lost or misplaced documents. Also, periodic and systematic reviews of case files for completeness of documentation.

*Questioned Costs:* None.

*County's Response (Department of Social Services):* A new notification of Action Taken (DSS 4013) has been developed by NYSDSS. These forms are completed by the Control Unit and placed in the case record. The Control Unit will be advised to attach copies of these notices to the comment sheet section of the folder. This should help to keep these notices in the record.

It is hoped that in the future it may be possible to automate this procedure. This will be discussed in future Office Automation Committee meetings.

COUNTY OF ROCKLAND, NEW YORK

*Schedule of Findings and Questioned Costs  
With Auditees' Response for Corrective Action  
For the Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Auditee's Response</u>
● ● ● ●			
U.S. Department of Health and Human Services Indirect Program— Passed through New York State Department of Social Services Aid Families— Dependent Children 13.808	Federal regulations require that amounts of aid are consistent with the plan and that the recipient meets income requirements. Of the seventeen client files examined one could not be located and one did not contain the recertification notice required. We recommend that filing procedures be reviewed to eliminate misplacing files.		We agree with the recommendations and will comply.



MONTGOMERY COUNTY, MARYLAND

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

New Findings for Fiscal Year 1989

<u>Funding Source</u>	<u>Findings</u>
Department of Health and Human Services—Special Programs for the Aging, Title III, Part B	The terms of this program require that the grantee file reports with the State by the 25th day of the month following the end of each quarter. One of the three reports we

Funding Source	Findings
Department of Health and Human Services—Special Programs for the Aging, Title III, Part C	<p>examined was filed after the deadline. No costs were questioned as a result of the late submission of this report.</p> <p>The terms of this program require that the grantee file reports with the State by the 25th day of the month following the end of each quarter. One of the three reports we examined was filed after the deadline. No costs were questioned as a result of the late submission of this report.</p> <p>The terms of this program require the grantee to match 15 percent of the costs paid with federal contributions. The State is required to fund 5 percent of the matching contribution. We noted that the County matched all federal contributions with at least a 10 percent contribution (25 percent for administrative costs); however, no State contributions were made. The amount of questioned costs equal to 5 percent of the costs paid with federal contributions is \$13,135.</p>

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HILLSBOROUGH COUNTY, FLORIDA

*Schedule of Findings and Questioned Costs (continued)*

Program	Finding/Noncompliance	Questioned Costs
● ● ● ●		
Head Start (13.600)	<p>4. During our testwork on eligibility, we recomputed the average daily attendance (ADA) in accordance with <i>Federal Register</i>, Vol. 44, No. 214. According to our calculations, the County is currently below the minimum ADA of 85% as required by the grant award.</p> <p>The County has initiated the following procedures in order to raise the ADA to the minimum requirements in accordance with the <i>Federal Register</i>, Vol. 44, No. 214:</p> <ul style="list-style-type: none"> <li>• In order to improve the attendance for August, which is the graduation month for the program, the County has begun a program of initiating enrollment in June of each program year as opposed to August.</li> <li>• Improvement in the current turnaround time of 10 days to fill vacancies.</li> <li>• Conduct home visits with families of children who have accumulated three or more consecutive absences.</li> </ul> <p>The impact of the above procedures on the ADA was unavailable as of our testwork, and we have not reviewed the enrollment levels subsequent to our report date.</p> <p>There are no questioned costs because the County is in compliance with the grant award requirements by initiating procedures to circumvent the decline in enrollment.</p>	\$ —
Share-A-Van (13.633)	<p>5. During our testing of 25 payroll expenditures, an error was noted as follows:</p> <ul style="list-style-type: none"> <li>• Four hours of sick pay was charged as regular pay. We recommend careful review of payroll vouchers by program supervisors. This situation causes the accumulated sick pay to be overstated.</li> </ul>	\$ —



Program	Finding/Noncompliance	Questioned Costs
Living Program (13.674) and the Social Services Block Grant— Title XX (13.667))	documentation returned to the Parental Support Officer for posting to the accounting records. The Parental Support Officer could notify the Domestic Relations Department of all anticipated support payments for new children in order to eliminate any confusion arising from receipt of initial payments. <i>1988 Grantee Response:</i> The parental support officer will cease accepting initial support payments; but will continue to notify the Domestic Relations Department of all anticipated support payments. Office of Children and Youth (OCY) will notify and resolve first payment recording with the Domestic Relations Department.	None
	2. <i>1988 Finding:</i> The County receives Social Security checks for certain children who have been placed in foster homes by the OCY. Checks are deposited into a separate interest-bearing account maintained by the County Treasurer. As the County incurs costs on behalf of these children, money is transferred from the separate account to reimburse the County's General Fund. The County has not transferred the interest earnings out of the account. We recommend that the County periodically transfer interest earnings to the General Fund to reimburse expenditures incurred on behalf of children receiving Social Security income. <i>1988 Grantee Response:</i> Agreed. Interest generated for dependent Social Security Beneficiaries will be periodically transferred to the County General Fund.	None
	3. <i>1988 Finding:</i> Parental Support payments are received by the County for certain children. These payments are reported as program income on the quarterly fiscal summary report. We noted the omission of parental support payments in the amount of \$336 received in second quarter of fiscal year 1988/1989 from the second quarter fiscal summary. <i>1988 Grantee Response:</i> Agreed. The amount was reported for the federal Title IV-E invoice but was omitted from the Commonwealth invoice for the second quarter. The amount was subsequently reported and recovered in the third quarter fiscal summary.	\$336
	4. <i>1988 Finding:</i> Federal regulations under Title IV-E for the Foster Care Program require that each child receive a medical appraisal by a licensed physician within 60-days of the child's admission to foster family care, unless the child has had an appraisal within the last 12 months and the results of the appraisal are available. In one out of ten children's files tested, we found no documentary evidence that a medical appraisal had been performed. The documentation for the missing medical appraisal was later assembled. However, it was inconclusive as to whether the 60-day requirement was met. We recommend that the County review its files and monitoring procedures to ensure that federal requirements are met. <i>1988 Grantee Response:</i> We will review our Foster Care files and monitoring procedures to ensure that Federal requirements are met.	None
Social Services Block Grant— Human Services Development Fund (13.667)	1. <i>1988 Finding:</i> The County's Aging and Adult Services Department administers federal funds received from the Social Services Block Grant—Human Services Development Fund Program. Proposals for the use of these funds are solicited and evaluated by the Department during the	None



*Schedule of Findings and Questioned Costs (continued)*

Program	Finding/Noncompliance	Questioned Costs
Social Services Block Grant—Subsidized Child Day Care (13.667)	<p>annual grant award process. Procedures for evaluation of proposed uses of Human Services Development Fund (H.S.D.F.) monies could be strengthened through the use of written guidelines by the Aging and Adult Services Department personnel. We recommend that the Department develop such written guidelines.</p> <p><i>1988 Grantee Response:</i> The Department of Aging Adult Services will develop written guidelines for evaluating proposed uses of H.S.D.F. moneys.</p>	
	<p>2. <i>1988 Finding:</i> Federal and state regulations require that the County maintain a system of internal control over the receipt of program income generated from the Human Services Development Fund program. There is inadequate segregation of duties in the County's Aging and Adult Services Department because the fiscal officer handles cash receipts and posts to the accounting records. We recommend that all cash receipts be mailed or delivered directly to the County Treasurer's Office with copies of checks and supporting documentation returned to the Aging and Adult Services Department for posting to the accounting records. At a minimum, the handling of cash receipts within the Department should be limited to individuals who do not also have access to accounting records.</p> <p><i>1988 Grantee Response:</i> Responsibilities for cash receipts and recording functions will be segregated.</p>	None
	<p>1. <i>1988 Finding:</i> Federal and state regulations require that the County maintain a system of internal control over the receipt of parent contributions to the Subsidized Child Day Care Program. There is inadequate segregation of duties in the County's Day Care Department because the Fiscal Manager handles cash receipts and posts to the accounting records. We recommend that all cash receipts be mailed or delivered directly to the County Treasurer's Office with copies of all checks and supporting documentation returned to the Day Care Department for posting to the accounting records. At a minimum, the handling of cash receipts within the Day Care Department should be limited to individuals who do not also have access to accounting records.</p> <p><i>1988 Grantee Response:</i> Segregation of duties will be accomplished within the context of existing staff.</p>	None
	<p>2. <i>1988 Finding:</i> The Day Care Department performs program reviews of agencies who provide day care services under contract with the County. The program reviews performed during 1988 did not include procedures to test compliance with the civil rights affirmative action requirements that are contained in the contracts with the providers. We recommend that future program reviews include such procedures in order to ensure that providers are complying with all contract requirements.</p> <p><i>1988 Grantee Response:</i> Program reviews will be amended to ensure compliance with the nondiscrimination clauses of the contract.</p>	None

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<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Mental Health/ Mental Retar- dation (including federal funding from the Social Services Block Grant (13.667) and the Title XIX Medical Assistance Program (13.714) (continued)	2. <i>1988 Finding:</i> The Department did not maintain an adequate audit trail for the preparation of the annual reports filed with the Commonwealth for the year ended June 30, 1988. This appeared to be caused by personnel changes within the Office of Mental Health/Mental Retardation (MH/MR). The reports were satisfactorily reconciled to MH/MR accounting records after our inquiry. Procedures should be developed to ensure that future reports are readily auditable.  <i>1988 Grantee Response:</i> The County MH/MR office will reconcile manual departmental records with annual report filing submitted to the Commonwealth.	None
	3. <i>1988 Finding:</i> Article V, Section 501 of the Commonwealth of Pennsylvania Mental Health and Mental Retardation Act of 1966 provides that an individual is eligible to receive services with State and Federal funds provided that they have been determined to have a mental disability and that the county program has determined the person's liability in order to help supplement the costs of providing services. The County has contracted with various agencies for case management services including eligibility and liability determination for individuals. The County's Office of MH/MR performs semi-annual program reviews of the case management files maintained by the agencies. A written report is prepared which outlines the procedures performed and any findings. Reports issued by the Office of MH/MR in 1988 did not contain any findings regarding eligibility. The effectiveness of these reports could be strengthened by the retention of program review working papers which document in detail the procedures performed, individual cases examined and the basis for conclusions reached in the written reports issued. We recommend that such working papers be prepared and retained.  <i>1988 Grantee Response:</i> The County MH/MR office will retain such records in the future.	None
	1. <i>1988 Finding:</i> Federal Regulation 42 CFR 447.200 et seq. requires that payments for services provided to eligible persons be made in accordance with the amounts and methods determined by the state. During 1988, the state directed grantees to consider patients' interest income as part of the patients' share of the total charge and accordingly, to reduce the net amount billable to Medical Assistance.  <i>1988 Grantee Response:</i> During the year ended December 31, 1988, the County did not deduct interest earned by patients on their personal accounts from the charges billed to Medical Assistance because of the inability of the Center's software to handle such transactions. The resulting overcharge to the Medical Assistance Program was \$12,078 which was adjusted in April 1989.	\$12,078
Medical Assistance— Geriatric Center (13.714)	2. <i>1988 Finding:</i> For the year ended December 31, 1988, the County reported a total of 65,882 skilled nursing patient days on its Form MA-11 Cost Report for the Geriatric Center. Audit work performed on the Geriatric Center's census records indicates that an understatement of non-Medical Assistance skilled nursing days caused total	\$ 3,648

*Schedule of Findings and Questioned Costs (continued)*

Program	Finding/Noncompliance	Questioned Costs
Child Support Enforcement— Title IV-D (13.783)	<p>patient days to be understated by 73 days, as reported on the MA-11 cost report (line 3, column A). The result is a \$3,648 overstatement of the reported total costs for Medical Assistance patients (MA-11 line 17, column A).</p> <p><i>1988 Grantee Response:</i> The MA-11 Report for 1988 is under review by the Pennsylvania Auditor General's staff.</p> <p>1. <i>1988 Finding:</i> The County is responsible for the collection of child support from parents and the subsequent disbursement to the appropriate entity. In order to discharge this responsibility, the County has a separate bank account into which child support collections are deposited and from which child support disbursements are made daily. Because of enormous volume of transactions it has been extremely difficult to reconcile the account on a timely basis. As a means of gaining better control over this account, the County discontinued the use of its old checking account and opened a new checking account for support payments in July 1988. The old account remained open with a book balance in excess of \$145,000 at December 31, 1988, with no further steps taken toward reconciling its remaining balance. The County should devote the appropriate resources to performing a final reconciliation, closing out the old account and determining the proper distribution of the remaining funds.</p> <p><i>1988 Grantee Response:</i> Beginning in May 1989, resources were devoted to updating and reconciling this account. In September 1989, this account showed a balance of less than \$40,000. The process will continue.</p>	

COUNTY OF SANTA CLARA [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989 (continued)*

1989 Findings:

U.S. Department of Health and Human Services  
CFDA No. 13.658 Foster Care—Title IV-E  
Grant No. Not Applicable  
Compliance Finding

Total Questioned Costs—\$1,914

Questioned Costs
\$1,914

1. *Finding:* Of twenty case files examined, seventeen fulfilled all compliance tests performed. Findings with respect to the remaining three case files are as follows:

- a. One out of twenty case files reviewed contained an FC2, or CA2 (a statement of facts to determine eligibility for AFDC-Foster Care), which had not been updated in a timely manner. The same case file also did not contain a current copy of the CA371 (a referral to the D.A. for action on AFDC absent parent) and the CA2.1 (a child support questionnaire). Also, the file did not contain a copy of the child's social security number.
- b. One out of twenty case files reviewed did not contain a current copy of the CA30, which is an AFDC budget worksheet. The CA30 is required to be updated every six months.

Questioned  
Costs

The Case Data System has a program that is capable of generating a report to inform the social workers when the forms need to be updated. The County should implement this program and make its use mandatory to keep files current.

The County should include a checklist with dates in each case file of mandatory forms and required updates.

*Management Response:* The County will develop a case review form which will include these single audit findings and items necessary for a thorough intake or reinvestigation review. The review will be completed monthly by intake and continuing supervisors starting in October 1989 on cases with reinvestigations due in the preceding month for at least three months. The results will be analyzed to determine necessary changes. The frequency of this review will also be reevaluated at that time.

With regard to the CA30, the County has implemented a program revision enabling eligibility workers to receive monthly notification of foster care children with birthdays during each month that trigger a rate increase. This change should eliminate underpayments due to age and rate increases by notifying the eligibility worker of need to update the CA30. Two Foster Care Handbook sections regarding the CA30's have been published and distributed. Mini-reviews have also been conducted which contain questions on the completion of the CA30. The County will continue to monitor this area through the new review form and future mini-reviews.

The County agrees that for one case there is no verification of the child's social security number on file. Action has been taken to rectify this oversight.

- c. For one out of twenty case files reviewed, the child's name on the case file and birth certificate did not agree to the name on the social security card.

A social security number is required for each child, and information contained in the case file should agree to documentation issued by the Social Security Administration. The Social Security Administration should be notified regarding the name difference between the birth certificate and the social security card and the County should rectify its records to ensure that the recipient is not receiving payments under a second name and social security number.

*Management Response:* The difference in the name between case file information and the social security card will be cross referenced on the computer input form and by this entry, the Social Security Administration will be notified.

Social security number application and verification will be included on both the new review form and the checklists.

CFDA No. 13.714—Medical Assistance Program  
Grant No. Not Applicable  
Compliance Findings

Total Questioned Costs—\$20

Questioned  
Costs  
None

1. *Finding:* The first quarter's CHDP and EPSDT reports were filed late. Based on discussions with Medi-Cal personnel the reports cannot be submitted until the budget has been approved by the State. The budget was prepared late and submitted to the State on 12/29/88. The budget was approved by the State on 3/7/89.

Budgets should be prepared and submitted to the State on a timely basis. This will allow required reports to be completed and filed in a timely manner.

*Management Response:* The Health Department assumed responsibility for two new Medi-Cal programs in the 1989 fiscal year. The Department had difficulties in deciding how these new programs should be staffed, causing the budget submissions to be delayed until December 1988. This caused the claims

*Schedule of Findings and Questioned Costs (continued)*

	Questioned Costs
to be submitted late. The programs have now been staffed and these problems are not expected to recur.	
2. <i>Finding:</i> Payroll information for one health educator per DAFR 8970 (Payroll Interface Report) does not agree to the County's supporting worksheets. The worksheets are used to compile the final amounts for the quarterly reimbursable expenditure report.	\$20
All supporting worksheets and documentation should be reconciled to the County STARS reports on a consistent basis.	
<i>Management Response:</i> The Department has noted this problem and corrective action with regard to reconciling worksheets will occur in the future.	
3. <i>Finding:</i> The rate caps used per the OSCAR billing system were incorrect for the month of November. The rate caps are used to compute the monthly claim for drug/Medi-Cal state and federal expenditure reimbursement. The rate caps for November were not updated until May 1989 which resulted in an understatement of billings during the intervening period.	None
Rates should be updated on a timely basis. The County should implement policies and procedures to ensure review of rates used to compute the monthly claim by the appropriate level of County personnel administering the program.	
<i>Management Response:</i> The Mental Health Bureau must negotiate the state and federal Medi-Cal rate of reimbursement with the State each fiscal year. These negotiated rates set the reimbursement for that particular fiscal year. These rates were negotiated and approved by the State on 11/29/88. These newly negotiated rates can only be used after the State approval is granted. The Bureau's automated Medi-Cal billing system required that rates be revised only at the beginning of any month; therefore, the earliest the Bureau could have used the new approved rates was December 1988. The final reimbursement for Medi-Cal is based on the actual total state and federal Medi-Cal units times the negotiated rate. Therefore, no loss of revenue would occur due to an incorrect rate being used during the fiscal year.	



**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

CITY OF BATTLE CREEK, MICHIGAN

*Schedule of Findings and Questioned Costs*  
*Year Ended June 30, 1989*

Findings	Questioned Costs
● ● ● ●	
Community Development Block Grant	
2. The Department of Housing and Urban Development Office of the Regional Inspector General for Audit has issued an audit report (No. 89-CH-241-1023) based upon their audit that disclosed noncompliance conditions of which two remain open at this date. Following is a brief summary of each unresolved noncompliance condition:	
a. The City's Section 108 Project has not met a National Objective of the Community Development Block Grant Program.	\$2,000,000
b. A City department did not restrict CDBG funded activities (Police Community Services) to low- and moderate-income areas.	Undetermined

Findings

Questioned  
Costs

The City expects that its response to the audit, dated October 6, 1989, provides the explanations required to eliminate the above noncompliance conditions and questioned costs. In the event the finding and questioned cost disclosed in 2(a) above are not resolved in the City's favor, it is possible that future Section 108 loan repayments must be made with nonfederal dollars. In addition, the City may be required to reimburse its line of credit for loan payments already made with federal entitlement dollars.



CITY OF MERCED, CALIFORNIA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
1. U.S. Department of Housing and Urban Development Grant Number B-88-MC-06-044	Because the City of Merced did not monitor Davis-Bacon Act wage compliance on Federal grant-funded rehabilitation contracts, we tested compliance on six employees of the applicable contractors. All employees appear to be paid less than the prevailing wage required. We determined that the underpayment for the six employees is \$4,914. Although there are no questioned costs related to this item, it represents an area of noncompliance.	N/A



THE CITY OF FREDERICK, MARYLAND

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

U.S. Department of Housing and Urban Development (HUD)  
Entitlement Program

*General Requirement—Davis-Bacon Compliance*

1. Payrolls submitted by contractors were in several instances not properly certified and were incomplete regarding employee addresses, social security numbers, job classifications and details on fringe benefit programs. These deficiencies were subsequently corrected and the corrected payrolls were reviewed, with no exceptions found.

Questioned Costs: None

*Special Provision*

2. A required eligibility clause stating that the prime contractor and subcontractors are eligible and have not been debarred from working on a federally-assisted project was not included in all contracts and subcontracts.

Questioned Costs: None

*Special Provision*

3. Funds were obligated by the City before receipt of H.U.D.'s approval of a Request for Release of Funds. However, the Request for Release of Funds was subsequently approved.

Questioned Costs: None

*Other*

4. It was determined during testing that two complete contract files were missing. Audit procedures relative to certain provisions required to be included in the contracts could not be performed.

Questioned Costs: None

U.S. Department of Housing and Urban Development (HUD)  
Housing Assistance Payments Program for Low-Income Families

*Allowability of Claimed Cost*

1. Overpayments totalling \$47 were made on Housing Assistance Payments. These amounts were subsequently included in a draw down request. Although the City did actually spend the money, the grant should not be charged since they were overpayments.

Questioned Costs: \$ 47

Underpayments totalling \$193 were made on Housing Assistance Payments.

Questioned Costs: None

*Special Provision*

2. Several recertification inspection forms and rent reasonableness forms for recertification were either incomplete or missing.

Questioned Costs: None

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CITY OF LAWRENCE, KANSAS

*Schedule of Findings and Questioned Costs  
As of December 31, 1988*

Program	Finding	Questioned Costs
<i>Finding 1:</i> Department of Housing and Urban Development Rental Rehabilitation Program	Authorized contracts were obtained for each expenditure during 1988. The 1987 unauthorized amounts were resolved.	None
<i>Finding 2:</i> Community Development Block Grant	Cash management throughout 1987 was not in compliance with grant requirements. In 1988, however, a deficit balance was maintained in the federal funds as required. It appears that any excess funds upon the receipt of a draw-down request were spent within three working days.  Grantee Performance Report for the year ended July 31, 1988, was filed on October 25, 1988. The due date was September 30, 1988. The administrators are aware of filing deadlines, and will try to comply with them in the future.	None

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CITY OF ALBUQUERQUE, NEW MEXICO

*Schedule of Findings and Questioned Costs (Single Audit)  
Year Ended June 30, 1989*

Program	Findings
Community Development Block Grant	The Federal Cash Transactions report for the month of June 1989 was not submitted until November 1989. <i>City Management Response:</i> A verbal extension was requested and received from HUD in July 1989. Because of the year-end

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Program	Findings
Low-Rent Housing Program	<p>closing, not all information was available for filing the report; the report was filed November 13, 1989.</p> <p>While performing the analysis of General Fund cash as described in the HUD Handbook IG 7476.3 Rev., a \$529,848.66 unlocated imbalance was noted.</p> <p><i>City Management Response:</i> The Housing Authority has been in contact with the local and regional HUD offices concerning this issue. The Authority is awaiting direction from HUD on this matter.</p>
Housing Assistance Payment Program (Section 8)	<p>While performing the testwork on 84 tenant files in connection with the Section 8 programs, the following exceptions were noted:</p> <ol style="list-style-type: none"> <li>a. There were 12 tenant files in which no comparable rent had been obtained to substantiate an increase in the contract rent.</li> <li>b. There were 19 tenant files in which no comparable rent had been obtained to substantiate the original contract rent.</li> <li>c. There was one tenant file which did not contain evidence supporting the tenant's income.</li> <li>d. There was one tenant file in which a mathematical error was made when calculating the tenant's portion of the rent. However, the error did not affect the tenant's portion of rent.</li> <li>e. There was one tenant file in which \$600 was left out in the calculation of the tenant's income. This same tenant was eligible for a reduction of his portion of rent based on medical premiums paid by the tenant. These errors offset and had no effect on the tenant's portion of the rent.</li> <li>f. There was one tenant file in which it was noted that the tenant had terminated her lease and was not removed from the system. It was subsequently discovered and corrected, but the landlord had been overpaid for two months. The housing authority is attempting to collect this overpayment.</li> </ol> <p><i>Questioned Costs:</i> \$838 in an overpayment to landlord.</p> <p>While performing the testwork on 84 payments to landlords in connection with the Section 8 programs, the following was noted:</p> <ol style="list-style-type: none"> <li>g. There was one check paid to a landlord in which the underlying remittance statement did not support the check amount.</li> </ol> <p><i>Questioned Costs:</i> One check was for \$90 more than what the remittance indicated.</p> <p><i>City Management Response:</i></p> <ol style="list-style-type: none"> <li>a. All Moderate Rehabilitation contract rents which are granted annual adjustments are being given a rent reasonableness test at their annual re-examination for those dwelling units which were not granted a rent increase. There were no rent comparabilities done. All mentioned files currently inventoried have rent comparables completed.</li> <li>b. In order to substantiate the original contract rent in the Moderate Rehabilitation Program, it is not necessary to</li> </ol>





Program	Finding/Noncompliance	Questioned Cost
	<p>there was no documentation that the occupancy had been advised of lead-based paint hazards. Such advisement is required by Notice CPD-88-04 issued January 20, 1988. The City was able to obtain the necessary proper documentation subsequent to our finding; therefore, there are no questioned costs associated with this finding.</p> <p>During our testwork on the Grantee Performance Report we discovered that the current year expenditures were overstated for two projects and understated for one project. Total overstatements were \$3,933 and total understatements were \$1,739. The discrepancies were caused when expenditures incurred after June 30, 1989, were obtained from the manual schedule used to prepare the Grantee Performance Report. The City prepared a revised report to be submitted to HUD, thus there are no questioned costs associated with this filing.</p> <p>During our testwork on the Grantee Performance Report for the fiscal year ended June 30, 1989, we discovered that the amount calculated as the "percent benefit to low and moderate income persons" was shown as 87% instead of the proper percentage of 86%. The misstatement was caused by a computation error. The City prepared a revised report to be submitted to HUD, thus there are no questioned costs associated with this filing.</p>	\$ —



CITY OF KENOSHA, WISCONSIN

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*



**Finding 2—CDBG Revolving Loan Fund:** In 1988, the City renewed their Joint Participant Agreement with First National Bank of Kenosha whereby an \$800,000 Revolving Loan Fund was created to finance CDBG eligible rehabilitation activities. Conditions prescribed in Section 24 CFR 570.513 allow recipients to draw funds from a letter of credit in a lump sum to establish a rehabilitation fund in one or more private financial institutions for the purpose of financing the rehabilitation of privately owned properties provided that substantial disbursements from the established funds occur. Substantial disbursements is defined as the disbursement of 25 percent of the fund (deposit plus any interest earned) within 180 days of the receipt of the deposit. Our review of the use of funds revealed that substantial disbursements were not made in the required time frame.

**Recommendation:** Implement procedures to monitor compliance with conditions prescribed by the Code of Federal Regulations authorizing the drawdown for financing of property rehabilitation activities. The procedures should include review and approval by a responsible management official.

**Response:** We are cognizant of the drawdown standards prescribed in Section 24 CFR 570.513 and have attempted to meet them. Unfortunately, as a result of various factors, we were unable to fully meet the required drawdown schedule.

If not for an unusually high number of loan applications falling through during the development process, we would have met the drawdown requirement comfortably. This was probably caused in part by the discontinuance of automotive production by Chrysler Corporation and the resultant economic impact. Other factors, such as market conditions and our emphasis on leveraging conventional financing also played a role. While procedures currently exist for internal review, we will review them and make needed improvements.

**Finding 3—Grantee Performance Report:** Federal statutes require grantees to submit a grantee performance report (GPR) ninety days after the end of each program year. For the program year

ended December 31, 1988, the due date was March 31, 1989. The 1988 GPR was filed April 5, 1989, without providing written notification that the GPR would be filed later than the deadline.

*Recommendation:* We understand that City management obtained a verbal extension from the Department of Housing and Urban Development. Nonetheless, we encourage City management to be cognizant of filing deadlines and, in the event due dates cannot be met, provide appropriate written notification.

*Response:* Given the short time period between the deadline and the submission date, a verbal request for extension was requested and granted. A formal request would require more time and would delay the submission of the GPR beyond April 5, 1989. HUD has indicated no problem with the procedure used.

CITY OF OMAHA, NEBRASKA

*Schedule of Findings and Questioned Costs  
Year Ended December 31, 1988*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
Community Development Block Grant (CDBG)	During our work with the various loan programs, we noted the City was paying for the servicing of three loans which were not outstanding. Our test work included twenty-two loans constituting 41% of the outstanding dollar amount as reported by the City. This situation was the result of a clerical error, according to City personnel.	\$422
	Additionally, seven of the twenty-two confirmations were returned by the U.S. Post Office as undeliverable, moved and no forwarding order on file or vacant. The City is in the process of updating these files.	\$ --

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ARLINGTON COUNTY, VIRGINIA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

<u>Funding Source</u>	<u>Findings</u>	<u>Potential Reimbursement Effect Over/(Under)</u>	<u>Management Response</u>
Department of Housing and Urban Development	<i>Section 8 Housing Program</i> Two (2) of the sixty (60) Section 8 case files reviewed did not provide signed Housing Assistance Payments Agreement.	*	The Housing Inspection Form was located and filed in the appropriate case file.
	During FY 1989, it was determined that fraudulent activity had been committed by one employee in the Existing Certification Program. The results of	\$16,147	The Internal Audit Unit of the County has recently completed a financial management and compliance audit of the Section 8 program. Staff has already

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<u>Funding Source</u>	<u>Findings</u>	<u>Potential Reimbursement Effect Over/(Under)</u>	<u>Management Response</u>
	the County's fraud investigation were reported to HUD. The audit report itemizes findings and financial loss of Federal funds of \$16,147.		begun to take corrective actions on the findings cited. The employee accused of fraud is scheduled to go to Court in November 1989.

\*The reimbursement effect is either nominal, not reimbursable or not ascertainable.



CITY OF SOUTH TUCSON [ARIZONA]

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Department of Housing and Urban Development		
Low-Income Housing Assistance Program	<p>1. The Public Housing Authority did not maintain fixed asset subsidiary ledgers in the form required by HUD. The Low Income Accounting Handbook requires the maintenance of a property ledger which is complete and accurate and agrees with the general ledger control account. Although the City made substantial progress during the fiscal year ended June 30, 1988, by completing a physical inventory of assets, the property inventory has not yet been assigned costs and reconciled to the general ledger. This condition was also a finding of the audits of the fiscal years ended June 30, 1988, 1987, 1986 and 1985.</p> <p>The City should complete the required subsidiary fixed asset ledgers, including the assignment of costs, as soon as possible.</p> <p><i>City's Response—Corrective Action Plan:</i> All assets of the Housing Authority are accounted for, either through audited development cost statements, audited modernization statements or audited additions and deletions of prior years. The City will attempt to capture all of this data in one ledger. However, we believe that we have "substantial" compliance through maintenance of the aforementioned.</p>	*
	<p>2. During the current fiscal year, the Public Housing Authority did not make timely deposits of its receipts, and on occasion, issued receipts out of sequence. On at least one occasion, this caused a deposit to be misplaced for approximately a month. By not depositing receipts daily as required by the HUD handbook, income tends to be distorted from month to month and interest earnings are not maximized. The issuance of receipts out of sequence contributed to the long delay in discovering the missing deposit.</p>	*

*Schedule of Findings and Questioned Costs (continued)*

Program	Finding/Noncompliance	Questioned Costs
	<p>We recommend that, in the future, all deposits be made on a daily basis and all receipts be issued in numerical sequence.</p> <p><i>City's Response—Corrective Action Plan:</i> Corrective action was implemented in May 1989 to insure that the housing authority complies with the City's policy of daily deposits. Receipts are issued in numerical sequence; this was merely an error by a housing authority employee in issuing out of sequence.</p>	
	<p>3. During our audit, we became aware that on a non-routine maintenance expenditure of the Housing Authority, the Davis-Bacon Act was not complied with. A contract with Hunley Construction Company, Inc. for the removal of mission tile, plaster patch and touch-up paint was not submitted to the HUD Labor Relations Officer for a determination of the proper wage rate to be paid. As a result, the contractor did not pay his employees Davis-Bacon wages for work performed under this contract.</p> <p>We recommend that the City submit this job for proper wage determination to the HUD Labor Relations Officer for a determination of the proper wage rate to be paid with respect to this contract, and comply with that determination.</p> <p><i>City's Response—Corrective Action Plan:</i> The Housing Director has been informed of this finding and the job will be submitted to the HUD labor relations officer along with a copy of the finding.</p>	\$3,271
	<p>4. During our audit, we noted incidences where there was a lack of documentation that the requirements of competitive purchasing procedures for small purchases were complied with. When price quotes are being obtained by various departments they are not remitting this information to the purchasing department with the requisition forms. Some individuals are retaining notes on price quotes. Others are only obtaining verbal quotes and not maintaining records of them. As a result, in four instances, we were not able to verify that competitive purchasing procedures for small purchases (under \$10,000) were complied with. However, in all instances, the amounts paid for goods and services appeared reasonable.</p> <p>We recommend that in the future, the city add to its requisition form or design a new form to list price quotes and vendors contacted and that this be submitted to the purchasing department, and retained for future reference. This will provide documentation that the City is in compliance with the competitive purchasing procedures for small purchases.</p> <p><i>City's Response—Corrective Action Plan:</i> The finance department will design and implement a form for recording bids received on small purchases (under \$10,000).</p>	*
	<p>5. Cash forecasting for the Housing Authority was not done prior to completing and submitting the "Direct Disbursement Payment Schedule Data" to HUD. It is our understanding that this form was completed using the prior year's percentages without forecasting actual cash needs.</p> <p>By not adequately forecasting cash needs, the Housing Authority could be caught short of needed funds or receive funds in advance of its needs.</p>	*

Program	Finding/Noncompliance	Questioned Costs
Section 8 Housing Assistance Program	<p>We recommend that the Housing Authority comply with the cash management requirements and forecast the cash needs of the Housing Authority each year in order to reduce the time between receipt and use of federal funds.</p> <p><i>City's Response—Corrective Action Plan:</i> The Housing Director has been advised of this finding and will cause an actual cash flow projection to be prepared in the future.</p> <p>6. Of nineteen files reviewed for compliance, one tenant, Veronica Carillo, was being paid an assistance payment of \$240 per month, rather than the correct payment of \$242 per month. This appears to have been an oversight on the part of the Public Housing Authority caused by an error in calculating the allowance for dependents on form HUD 50059.</p>	*
Community Development Block Grant 01-39-S-107615-0886 Pass Through Pima County, Arizona	<p>We recommend that the Housing Authority institute a review process whereby tenant certification forms are reviewed and initialed by the Housing Director after their preparation in order to minimize the possibility of errors in the preparation of these documents. In addition, we recommend that the Housing Authority pay the tenant the additional assistance due for the nine months until the error was discovered.</p> <p><i>City's Response—Corrective Action Plan:</i> The Housing Director has been advised of this finding and the additional assistance will be paid.</p> <p>7. We noted that request number 18 for the month of April 1989 and request number 19 for the month of May 1989 each requested a \$5,000 reimbursement for land acquisition cost which, in effect, represented the same \$5,000 expenditure by the City. This appears to be an oversight on the part of the City in preparation of request number 19.</p> <p>We recommend that the City return the \$5,000 to Pima County and in the future, insure that these reports are reconciled to the City's financial records prior to their submission to Pima County for reimbursement.</p> <p><i>City's Response—Corrective Action Plan:</i> The \$5,000 overpayment will either be repaid to the county or applied to current reimbursements due, at the direction of the County. All C.D.B.G. drawdowns are reconciled to the financial records. This error was the result of using the encumbrance column rather than the expenditure column of the account detail.</p>	\$5,000
Community Development Block Grant—Income Program	<p>8. During the fiscal year ended June 30, 1989, the City made two Economic Development loans without first requiring all collateral documents to be executed. As of October 6, 1989, the City still had not received the completed collateral documents required in the original loan agreements. By not requiring the borrower to comply with the collateral terms of the loan agreement, the City remains in an unsecured position and is more likely to experience losses from bad loans.</p> <p><i>City's Response—Corrective Action Plan:</i> The Economic Development Director has been advised of this finding and will comply in the future.</p>	*

*Schedule of Findings and Questioned Costs (continued)*

Program	Finding/Noncompliance	Questioned Costs
Various Community Development Block Grants Pass Through Pima County, Arizona	9. The City has not complied with the requirements of Appendix N of OMB Circular A-102 pertaining to property management. Specifically the City has not identified on its property records, the source of the funds used to acquire the property including the grant or other agreement number. During the fiscal year ended June 30, 1988, the city completed an extensive physical inventory of property, the results of which were reconciled to the City's accounting records. This condition was also a finding of the audit of fiscal year ended June 30, 1980.  We recommend that the City identify on its property records, those assets purchased with federal funds including the program and grant number.  <i>City's Response—Corrective Action Plan:</i> The City will attempt to identify the sources of all fixed assets during the current year.	*

\* The amount of questioned costs is not ascertainable or not applicable.



CITY OF FORT WAYNE [INDIANA]

*Schedule of Findings*



**Finding 2. Internal Control Deficiency:** The Community Development and Planning (CD and P) Department of the City of Fort Wayne maintains manual project ledgers, for the U.S. Department of Housing and Urban Development programs, on the cash basis of accounting. The City Controller maintains computerized records on the modified accrual basis of accounting. The CD and P Department maintains separate records in order to prepare cash basis reports that the U.S. Department of Housing and Urban Development requires. The 1987 A-128 Schedule of Findings stated that monthly cash requirements were not being performed between CD and P's records and the Controller's records. During 1988, cash reconcilements were prepared; however, they were not prepared timely. As of April 4, 1989, the most recent cash reconcilment was for the month ended September 30, 1988.

Not reconciling the CD and P project ledgers to the Controller's records on a monthly basis is a weakness in internal accounting control. Timely reconcilements are necessary to ensure accurate reporting to the U.S. Department of Housing and Urban Development.

We advised officials to perform reconcilements monthly.

**Management Reply:** Procedures have been implemented so that the applicable subsidiary and general ledgers will be reconciled monthly on a timely basis.



CITY OF ENGLEWOOD, COLORADO

*Schedule of Findings and Questioned Costs  
December 31, 1988*

**Findings**

**Finding:** The City has not adequately monitored the subrecipient of federal funds the City has received under the Community Development Block Grant program.

*Resolution:* The City has instituted procedures to adequately monitor its subrecipient by having ascertained that an independent audit is in process for 1987 and 1988 of the federal funds expended under the Community Development Block Grant program by such subrecipient.

*Questioned Costs:* None.

CITY OF AUSTIN, TEXAS

*Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Department of Housing and Urban Development— Community Development Block Grants B-86MC-48- 0500 and B-87MC-48- 0500	1. A recipient's system for monitoring advances and payment requests by secondary recipients should be sufficient to assure that payments are limited to amounts needed to meet immediate cash requirements. It is the City's policy with regard to sole-source and limited-source subrecipients that up to 10% of the annual award may be advanced prior to initial costs associated with the project being incurred. The City advances these funds to its subrecipients and then requests reimbursement from HUD. When subsequent requests for reimbursement are received from the secondary recipient, the amount initially advanced is not offset against actual expenditures, the effect of which is to carry the advance amount for working capital purposes throughout the term of the contract. Our review of eight subrecipients receiving such advances revealed that the amounts advanced represented a range of from 30 to 109 days' worth of subsequently reported expenditures. Within this range, the median number of days' expenditures was 62 and the dollar-value weighted average was 53 days. These calculations yield advance levels which are increased from the prior year.	N/A
	2. A recipient is to receive reimbursement to the extent that expenditures incurred are allowable under the provisions of the grant. It is the City's policy to perform a programmatic review of each secondary recipient receiving Community Development Block Grant funds in excess of \$25,000 through the City at least once during the program contract period. Included in the review is a test of reimbursed expenditure eligibility. Such a review of the National Business League during the fiscal year ended September, 1988, identified \$504.00 of ineligible expenditures incurred by the subrecipient, previously reimbursed by the City. This amount was included in the "actual disbursements, fiscal year to date" (line 5) of the City's Request of Payment on Letter of Credit and Status of Funds Report. Thus the City has received and passed through reimbursement from HUD for ineligible expenditures incurred by a subrecipient.	\$504.00
	3. A recipient is required to submit a Grantee Performance Report (GPR) within two months after the end of each program year. The amounts included in each GPR must be supported by the recipient's accounts and records. The City reports encumbered balances and unencumbered balances at September 30, 1988, from its financial accounting system as "Unliquidated Obligations" and "Unobligated Balance," respectively, on Form HUD-4949.2 of the GPR. In its September 30, 1988, GPR, filed on November 30, 1988,	N/A



*Schedule of Findings and Questioned Costs (continued)*

Program	Finding/Noncompliance	Questioned Costs
	<p>the reporting of program 728101, Grant Administration on page 18 of the GPR deviates from this practice in that a \$113,482 encumbered balance and a (\$19,682) unencumbered balance per the City's financial accounting system are reported net as unliquidated obligations of \$93,800.</p> <p>4. The books and accounts of a recipient should agree or reconcile to the federal financial reports filed. Additionally, requests for federal cash disbursements should be limited to a recipient's immediate needs. On line 5, "Actual Disbursements, Fiscal Year to Date" of each "Request for Payment on Letter of Credit and Status of Funds Report"; standard Form 183 (Request), in addition to actual expenditures through the date of filing as included in its books and accounts, the City includes an estimate of costs anticipated to be incurred from the submission date of the Request to the expected date of cash transfer from the federal treasury to the City.</p> <p>Our review of five of the fifteen Requests filed during the fiscal year ended September 30, 1988, indicated that the amounts reported on line 5 included an average of \$136,000 of anticipated costs. Based upon total costs incurred under the grant for the fiscal year, \$136,000 represents approximately six days of actual costs.</p>	N/A
<p>Department of Housing and Urban Development—Rental Rehabilitation Grant 1985-86</p>	<p>1. The books and accounts of a recipient should agree to the federal financial reports filed. Included in the 1985-86 Rental Rehabilitation grant was a disbursement which has subsequently been voided. The credit derived by voiding the payment voucher was applied to the Community Development Block Grant Thirteenth Entitlement rather than as a reduction of the Rental Rehabilitation Grant expenditures.</p>	\$230.00

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA [CALIFORNIA]

*Findings and Recommendations*

March 31, 1989

1. Controls Over Cash, Investments and Tenants' Accounts Receivable

During our examination of the Authority's internal controls and policies for cash, investments, and tenants' accounts receivable we found the following:

- a. The Authority did not have a written investment policy during the fiscal year ended March 31, 1989. It appears, however, that the Authority invested its funds in accordance with the Fiscal Management Handbook 7475.1. During April 1989 the Authority implemented a written investment policy.
- b. We were not able to reconcile the amount of cash on hand during our visit to two of the Authority's project offices. The unreconcilable amounts were less than \$100 at each of the offices.
- c. The adjustment slips used to make non-cash credits to tenants' accounts receivable are not prenumbered and, therefore, are not controlled and accounted for in numerical sequence. These adjustment slips also contain no signature or initials to indicate that they were approved by someone other than the preparer.

We recommend that the Authority implement the following controls and policy changes:

- a. The Authority has already prepared a written investment policy; therefore, no recommendation is necessary.

- b. Cash on hand at the project offices should be reconciled daily.
- c. Adjustment slips used to make non-cash credits to tenants' accounts should be prenumbered, controlled numerically, and signed as approved by the area managers.

*Authority's Response.* The Housing Authority concurs with the findings and will proceed to implement the auditors' recommendations.

## 2. Tenant Files

During our examination of tenant files for the tenants of the Conventional Low Rent Program and the Housing Assistance Payments Program we found the following:

- a. For the ten Conventional Low Rent files examined we found:
  - 1. As of our March 31, 1989, audit date none of the files contained proof of written notification being given to the tenants of the dangers of lead based paint. Notices concerning the dangers of lead based paint were, however, issued to the tenants subsequent to our audit date. Copies of these notices were filed in the tenants' files.
  - 2. One file did not contain proper independent verification of the tenants' income.
  - 3. Four files did not contain documentation indicating that the required unit inspections had been performed.
- b. For the sixteen Housing Assistance Payments files examined we found:
  - 1. Certifications and recertifications of two tenants were not documented using the required HUD form 50058.
  - 2. Two files did not contain proper independent verification of income.
  - 3. An incorrect utility allowance was used in the calculation of one tenant's housing assistance payment.
  - 4. Four files did not contain documentation indicating the required unit inspections had been performed.
  - 5. Eight of the files did not contain rent reasonableness documentation.

We recommend the Authority review its Conventional Low Rent and Housing Assistance Programs' tenant files to insure that the above mentioned information is correct and/or included in the tenants' files. The Authority should also examine its certification and recertification preparation and review procedures to insure that all future certifications and recertifications are documented in accordance with HUD regulations.

*Authority's Response.* Appropriate action will be taken to insure that staff complies with operating procedures on certifications and recertifications.

## TOWN OF CHAPEL HILL, NORTH CAROLINA

### *Schedule of Findings and Questioned Costs Year Ended June 30, 1989*

#### U.S. Department of Housing and Urban Development Community Development Block Grant Entitlement

- 1. *Finding:* Amounts reported as gross disbursements on the Federal Cash Transaction Reports (Form 272) as of March 31, 1989, and June 30, 1989, include accounts payable.  
*Questioned Costs:* None.  
*Response:* Future reports will not include accounts payable.
- 2. *Finding:* The amount reported as Cumulative Net Disbursement on the Federal Cash Transaction Reports (Form 272) as of June 30, 1989, was incorrect.  
*Questioned Costs:* None.  
*Response:* Future reports will show corrected totals for cumulative net disbursements.
- 3. *Finding:* The amount reported as the ending cash balance on the Federal Cash Transaction Reports (Form 272) as of March 31, 1989, and June 30, 1989, does not agree to the general ledger balance.  
*Questioned Costs:* None.  
*Response:* Future reports will show the correct ending cash balance.

Low-Income Housing Assistance Program

1. *Finding:* Amounts reported on HUD-52595, Balance Sheet for Section 8 and Public Housing, as of June 30, 1989, and HUD-52596, Statement of Income and Expense and Changes in Accumulated Surplus or Deficit from Operations, for the year ended June 30, 1989, did not agree to the general ledger balances.  
*Questioned Costs:* None.  
*Response:* In the future, a reconciliation between the general ledger and the financial reports submitted will be prepared and maintained.
2. *Finding:* The analysis of PHA general fund cash balance from Handbook IG 7476.3 REV has an unreconciled difference of \$12,922 at June 30, 1989.  
*Questioned Costs:* Unknown  
*Response:* In the future, transactions will be recorded in accordance with the U.S. Department of Housing and Urban Development's regulations so the analysis can be reconciled.



CITY OF COMMERCE CITY, COLORADO

*Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 1988*

Program	Amount of Questioned Costs	Finding/Noncompliance
Community Development Block Grant—Entitlement Program, Grant Nos. B-86-UC-080001 and B-87-UC-080001		1. A nonappropriation clause protecting the City and Adams County from liability or responsibility on any litigation arising from the discontinuance of CDBG funding for any reason was not included in the City's contracts relating to this grant as required by the City's agreement with Adams County.
Housing Voucher Assistance Payments Pro- gram, Grant No. 88-164		2. The grant contract required that 28 units be under lease by February 28, 1988. Only 26 units were leased as of February 28, 1988. This requirement was met by March 31, 1988.

COBB COUNTY, GEORGIA

*Single Audit Report  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended September 30, 1988*

Finding	Questioned Costs
1. During a monitoring visit, U.S. Department of Housing and Urban Development discovered a construction contract for which bids were not advertised in accordance with OMB Circular A-102, Attachment O. Since Cobb County awarded the bid to the lowest bidder, no questioned costs were stated. The County contends that this particular contract was done on "an emergency procurement" basis. The County was advised by HUD that future contracts will comply with Attachment O for all circumstances. We discovered no additional bids for which public advertisements were not placed in the appropriate advertising medium.	\$-0-

GREENSBORO HOUSING AUTHORITY [NORTH CAROLINA]

*Schedule of Findings and Questioned Costs  
Year Ended September 30, 1988*

Program	Finding/Noncompliance	Questioned Costs
● ● ● ●		
Low-Income Housing Program (Sec. 8—Existing Housing and State Agency Program)	Of sixteen tenant files reviewed, we noted eight files in which the owner contracts were dated prior to the date the unit passed inspection. Although this does not represent a questioned cost, it represents noncompliance with HUD regulations. We recommend that management implement procedures to ascertain units are inspected in a timely manner in accordance with guidelines established by HUD.  During the Authority's monitoring work of a new construction project, the Authority noted that several files did not include written documentation that had properly been verified. Although this does not represent a questioned cost, it represents noncompliance with HUD regulations. It was also noted that several files contained incorrect calculations of tenant income. We recommend that written documentation supporting all calculations be required. The Authority notified the property owners of the noncompliance and required written follow-up of the disposition.	\$ —  —

CITY OF PENSACOLA, FLORIDA

*Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1988*

Program	Findings/Noncompliance	Questioned Cost
HUD Section 8 FL29-E092- 001-007	The City of Pensacola, Florida, charged a fee to the program for indirect administrative costs (Accounting Services). OMB Circular A-87, J, "Cost Allocation Plan" states that in general, a plan for allocation of costs will be required to support the distribution of any joint costs related to the grant program. This condition could cause costs to be charged to the program in excess of the program's equitable share. This condition is caused by the absence of an approved cost allocation plan in accordance with OMB Circular A-87, J.	\$40,000

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CITY OF WAUSAU, WISCONSIN

*Schedule of Findings and Questioned Costs  
December 31, 1988*

Program: Community Development Block Grant Program Entitlement Grants  
City of Wausau  
CFDA #14.218  
Questioned Costs: Undeterminable.

*Observation:* In performing compliance testing of the Community Development Block grant expenditures five payments out of 30 tested were paid and charged to the Block Grant prior to receiving approval of the Request for Release of Funds and certification.

*Implication:* The expenditure of funds prior to HUD's approval of a Request for Release of funds may result in unallowable costs.

*Recommendation:* Attention should be given to insure that funds are not obligated or expended prior to receipt of HUD's approval of a Request for Release of Funds and certification.

CITY OF LAFAYETTE, LOUISIANA

*Schedule of Findings and Questioned Costs  
Year Ended October 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
CDBG	This program requires that no more than 20% of the grant be spent for administration and planning. For the 87-88 grant, the City has already spent in excess of the 20% limitation on the total award amount, even though the entire amount of the grant has not yet been earned. The amount questioned represents administrative and planning costs to date in excess of 20% of the total grant award.	\$371.41
CDBG	In testing the Grantee Performance Report, Form 4949, for the 1987 program year, we noted differences in some expended-to-date amounts reported from those on the City's accounting records. Incorrect amounts had been reported to HUD, but before our fieldwork was completed, the City's CDBG Department filed a revised Form 4949 with the correct expended-to-date amounts.	0.00
		<u>\$371.41</u>

CITY OF FORT SMITH, ARKANSAS

*Schedule of Noncompliance and Other Findings  
For the Year Ended December 31, 1988*

<u>Funding Source</u>	<u>Finding</u>	<u>Potential Reimbursement Effect</u>
Community Development Block Grant	Approval from the Department of Housing and Urban Development (HUD) of Central Services Cost Allocation Plan has not been received. Additionally, HUD has questioned indirect costs charged in prior years of \$29,748 due to disallowed allocation methods for certain engineering and other costs. No indirect costs were allocated in 1987 or 1988.	\$29,748

TOWN OF HAMBURG, NEW YORK

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

Program Finding 1:

Community Development Block Grant (14.218)

*Condition:* We found that the Town did not have complete supporting documentation for expenditures. In two cases, the purchase order (PO) was not attached to the voucher package. In one case the PO was attached, but was not signed by the department ordering the goods.

*Criteria:* All expenditures should be fully supported by complete underlying documentation.

*Effect:* The Town did not fully comply with their internal controls for disbursing funds.

*Cause:* Payment was made for expenditures that had incomplete (or no) PO's.

*Recommendation:* We recommend that the Town review all supporting documentation before an expenditure is paid. The documentation should be complete.

*Auditee Response:* The PO's should be complete and attached to the voucher package. In one case, the expenditure was for a newspaper announcement and the department sends a copy of the paper notarized in lieu of a PO, but the client agreed, they too should have a PO.

CITY OF NEW ROCHELLE, NEW YORK

*Schedule of Findings and Questioned Costs With Auditee's Response for Corrective Action  
For the Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Auditee's Response</u>
● ● ● ●			
U.S. Department of Housing and Urban Development Community Development Block Grant— City 14.219	The Region II Office of the U.S. Department of Housing and Urban Development issued a report dated April 6, 1989. This report contained find- ings that require action on the part of the City.	<u>\$ 2,700</u>	The City is preparing a response to the report including our exceeding the administrative costs permitted by \$2,700.

CITY OF AURORA, COLORADO

*Schedule of Findings and Questioned Costs  
Year Ended December 31, 1988*

	<u>Findings</u>			<u>Questioned Costs</u>
		<u>Summary</u>	<u>Audit</u>	<u>Difference</u>
Community Development Block Grant B-87/88-MC- 08-0002	Certain line items on the "Summary of Resources and Expenditures" do not agree to the audited amounts			None
	Line 1	\$1,428,820	\$1,532,077	\$103,257
	Line 2d	247,657	245,697	(1,960)
	Line 3	2,775,477	2,876,774	101,297
	Line 4	1,187,786	1,203,895	16,109
	Line 5	1,692,879	1,672,879	(20,000)

The differences were caused by audit adjustments made after the report was filed and addition errors noted on the report as originally filed.

Review of the monitoring system for contracts for selected programs indicates that in certain cases, proper verification of adequate liability insurance and workmen's compensation insurance maintained by the contractors was not documented and/or currently updated.

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CITY OF LUBBOCK [TEXAS]

*Schedule of Findings and Questioned Cost (Single Audit)  
September 30, 1988*



Community Development Block Grant, Grant MC-48-0022

*Finding No. 5 & Questioned Costs—\$17,898:* When filing the Grantee Performance Report for the period June 1, 1987, to May 31, 1988, the amount reported as Unexpended CDBG Funds at the End of the Previous Period did not agree with the report funds at the end of the period on the previous report for the period ended May 31, 1987. We recommend that this discrepancy be corrected and an amended report be filed for the period ended May 31, 1988, or else correct the reports for the current period showing the correct figures.



MONROE COUNTY, FLORIDA

*Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Costs</u>
Community Development Block Grant/ Passed through State Department of Community Affairs Grant number 88DB-12-11-54-01-H10	1. We noted two deposits to the construction escrow account which were not fully expended for 99 days and 168 days. A deposit to a construction escrow account should not be made if it results in an amount in excess of CDBG disbursement needs for more than two months from the date of the execution of the construction contract. The effect of the finding is that CDBG funds are requested in excess of immediate needs. This program was designed for smaller projects with one contractor which could be completed within two months. This project involves the renovation of a multi-unit complex with a number of subcontractors and a construction period of more than two months. The timing of draw requests is based on contractor estimates which may not be accurate as to completion dates for various reasons. A written exception to this compliance requirement should be obtained.	\$ —
	2. Excess administrative costs were incurred and paid before the environmental review was obtained. The grant contract stipulated that only \$5,000 could be expended for administrative costs in this preliminary phase. The environmental review report was not obtained within the estimated time, thereby causing the preliminary administrative costs to exceed the prescribed limit.	\$2,044

CITY OF GREEN BAY [WISCONSIN]

*Schedule of Findings and Questioned Costs  
Year Ended December 31, 1988*

<u>Fund Source</u>	<u>Administering Department</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
United States Department of Housing and Urban Development—	Redevelopment Authority	A subgrantee was required to have a financial and compliance audit due to the amount of funding received. The subgrantee did not fulfill their contract for auditing requirements as of the date of this audit	\$ —

<u>Fund Source</u>	<u>Administering Department</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
Community Development Block Grant B-82/83/84/85/86/87-MC55-0002		report. The Housing Allowance Office administers the rental rehabilitation program.	

CITY OF GREEN BAY

*Managements' Response to Findings of NonCompliance  
Year Ended December 31, 1988*

<u>Fund Source</u>	<u>Response</u>
United States Department of Housing and Urban Development	Since the date of this audit report, a financial and compliance audit has been completed.

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COUNTY OF ORANGE [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
Community Development Block Grant Program*

1. *Condition*—The unexpended balance of Community Development Block Grant funds reported on line 5 of Part 1 of the Grantee Performance Report for the period ended June 30, 1988, was understated by \$239,100.

*Criteria*—Line 5 should contain the unexpended balance.

*Cause*—A mistake was made in subtracting line 4 from line 3 in preparing this report.

*Effect*—The monitoring agency may have relied on incorrect information received from the County.

*County Response*—EMA Accounting has notified HUD of the error and has taken steps to reduce the risk of mathematical error in the future.

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CITY OF STERLING HEIGHTS, MICHIGAN

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

<u>Findings</u>	<u>Questioned Costs</u>

••••

Community Development Block Grants

None

2. *Condition*—Lack of submission of the grantee performance report on a timely basis

*Criteria*—Pursuant to HUD requirements, the Grantee Performance Report is required to be filed within 90 days of the program's year-end.

*Effect*—The Grantee Performance Report was due on August 29, 1989, but was not filed until September 5, 1989.

*Cause*—Current procedures do not include controls that ensure that information will be accumulated within the required 90-day period.

*Recommendation*—Procedures should be developed and implemented that ensure that the Grantee Performance Report will be filed within 90 days of the program's year-end.



Schedule of Findings and Questioned Costs (continued)

Findings	Questioned Costs
<p><i>Grantee's Response</i>—The grantee will develop and implement procedures that will ensure that the Grantee Performance Report is filed within 90 days of the program's year-end.</p>	
<p>Low-Rent Public Housing Grant</p> <p>3. <i>Condition</i>—Lack of submission of HUD forms on a timely basis  <i>Criteria</i>—Pursuant to HUD requirements, HUD forms (balance sheet, statement of operating receipts and expenditures, statement of income and expense and changes in accumulated surplus or deficit from operations) are required to be filed within 45 days of the program's year-end.  <i>Effect</i>—The HUD forms were due on November 15, 1988, but were not filed until April 17, 1989.  <i>Cause</i>—Current procedures do not ensure that the appropriate information will be accumulated and the proper forms prepared and filed with HUD within the required 45-day period.  <i>Recommendation</i>—Controls should be developed and implemented that ensure that the HUD forms will be filed within 45 days of the program's year-end.  <i>Grantee's Response</i>—The grantee will develop and implement procedures that will ensure that the HUD forms are filed within 45 days of the program's year-end.</p>	None
<p>Community Development Block Grant</p> <p>4. HUD monitoring visits noted noncompliance conditions that related to compliance features in the Compliance Supplement for Single Audits of State and Local Governments. Those instances of noncompliance conditions that were subsequently cleared by HUD are not included in this report. This includes HUD findings cleared subsequent to year-end. Any continued instances of those noncompliance conditions are repeated in this schedule of findings and questioned costs.</p>	None



CITY OF CONCORD, NEW HAMPSHIRE

*Schedule of Findings and Questioned Costs  
December 31, 1988*

Community Development Block Grant Small Cities Program

*Observation:* Expenditures reported via the Financial/Program Status Reports for grant #85-150CDHS for the quarter ended March 31, 1988, were in excess of the actual expenditures incurred in that quarter. Although the amount represented 1987 unreimbursed expenses, this was not documented in the first quarter drawdown request.

*Management Response:* The \$56 dollars in question were unreimbursed expenses from 1987. The City included it in the first 1988 drawdown. However, the expense was not clearly documented in the drawdown request but was recorded in the detail and general ledger for 1988.

CITY OF GREEN RIVER, WYOMING

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

Program	Finding/Noncompliance	Questioned Costs
U.S. Department of Housing and Urban	The contract between the State and the City required the hiring of one additional low to moderate income individual. This was not done by the required date.	\$ -0-

Program	Finding/Noncompliance	Questioned Costs
Development: Community Development Block Grant, Small Cities Program	<p><i>Condition:</i> The City did not comply with specific terms of the grant requiring the recipient of the funds to hire a specified number of low to moderate income individuals.</p> <p><i>Criteria:</i> The Department of Housing and Urban Development requires that the grant provide benefits to low and moderate income households.</p> <p><i>Effect:</i> The City has not complied with all conditions of the grant.</p> <p><i>Cause:</i> The City did not require the recipient of the grant to meet the restrictions imposed by the grant.</p> <p><i>City Response:</i> The entire matter has been referred to the City's attorney to take corrective action.</p>	



CITY OF MUSCATINE, IOWA

*Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 1989*

Department of Housing and Urban Development  
Community Development Small Cities Block Grant  
CFDA #14.219  
Grant ID#88-CD-079

Questioned Cost: \$27,000

*Finding:* Two property rehabilitation cases were reported as completed to the oversight agency (IDED) as of June 30, 1989, when in fact construction did not begin on these projects until mid August 1989.

*Condition:* Through the cooperative efforts of the City's coordinator of rehabilitation projects, the homeowners and the contractors, records evidencing project completion were back dated to reflect a completion date prior to June 30, 1989. Subsequent to year-end City management and the IDED became aware of conditions relating to these cases that indicated that the work was not actually complete. City management has taken action to resolve this issue with IDED and has excluded the \$27,000 of costs and revenue from the financial statements and schedule of federal grant activity for the fiscal year ended June 30, 1989.

*Auditee response:* The two rehabilitation cases mentioned above are currently being completed to the satisfaction of the property owners, the City and IDED. This was mutually accomplished through an amendment to the City FY 1989/90 contract with IDED to permit the rehabilitation to continue until completed. This contract amendment will also allow the City to receive Community Development Block Grant funds in the amount of \$27,000 under the current contract for the rehabilitation of these units.

The City's rehab review process has also been modified in that a representative of the Building and Zoning Department will review all work completed prior to the final payment and close-out of the rehab case.



NEW CASTLE COUNTY, DELAWARE

*Schedule of Findings and Questioned Costs  
June 30, 1989*

Program	Finding/Noncompliance	Questioned Costs
Community Development Block Grant and	For certain projects selected during our detail review of compliance with federal laws and regulations, we noted that no documentation could be found to support the	\$ -0-



*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Section 17 Rental Rehabilitation B-88-UC-10-0001 and R-88-UC-10-0201	completion of individual environmental screenings. A report from the U.S. Department of Housing and Urban Development dated August 4, 1989, noted nine loans out of a sample of 12 for which no documentation was available. The County began performing these reviews in July 1989 and received a closing letter from the U.S. Department of Housing and Urban Development dated October 18, 1989.	

CITY OF DOVER, NEW HAMPSHIRE

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

*Community Development Block Grants*

Findings:

*Eligibility of Activities.* CDBG expenditures for public services for the year ended June 30, 1989, exceeded the fifteen percent cap provided for in the program regulations and statute. The City has corrected this excess expenditure with a transfer of the ineligible charges to an eligible activity. This remedy was suggested in the HUD monitoring report.

*Program Progress.* The City fails to meet the overall test for program progress. This is as a result of an excess of unexpended CDBG funds. The City has established a six-month plan to reduce the level of unexpected CDBG funds to an acceptable level. The development and implementation of this plan should serve to clear this finding.

Questioned Costs:

Our tests did not disclose any questioned costs.



CITY OF ORANGE [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
June 30, 1989*

Current Year

Community Development Block Grant (CFDA No. 14.218)

1. *Finding:* The City has not formally developed a system for monitoring applicable contractors and subcontractors with respect to payment of prevailing wages.

*Recommendation:* We recommend the City develop and document a system for monitoring Davis-Bacon, including projects monitored by the Community Development Department.

*Response:* The City's Community Development Block Grant/Rehab Manager will develop and document a system for monitoring Davis-Bacon Act compliance.



MUNICIPALITY OF PENN HILLS [PENNSYLVANIA]

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Community Development Block Grant Program		
1. Grant Number	<i>Finding:</i> The Municipality's contract with HUD for the CDBG Program requires that the annual Grantee Perfor-	\$ —

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
B-87- MC-42-0104	<p>mance Report be prepared on the accrual basis of accounting. Our examination disclosed that the Municipality submitted the annual Report for the grant year ended June 30, 1988, on the cash basis of accounting, which is consistent with prior years. Accordingly, the Grantee Performance Report submitted is not in accordance with HUD guidelines regarding the preparation of this report.</p> <p><i>Recommendation:</i> It is not recommended that the Grantee Performance Report be amended to conform to the prescribed method of reporting. However, it is recommended that the Municipality conform to the prescribed method of accounting for all future reports submitted.</p>	\$ —
2. Grant Number B-87/88- MC-42-0104	<p><i>Finding:</i> Penn Hills used a portion of the funds in a lump-sum account for nonhousing-related expenditures. A lump-sum account is restricted for housing-related expenditures and rehabilitation loans in accordance with federal regulations (24 CFR 570.513). Penn Hills was aware that they had funds in excess of what was needed to run the Rehab program and felt that other HUD expenditures could be paid from these funds instead of returning them and making a drawdown. These expenditures were allowable under HUD, but a separate drawdown should have been made. Penn Hills has received documentation from HUD which alleviates the Municipality from questioned costs for this finding.</p> <p><i>Recommendation:</i> It is recommended that the Planning Department review all expenditures to ensure that those of a nonrehabilitation nature will not be allocated to the rehabilitation fund maintained by the Municipality. HUD has recommended, and we concur, that the Municipality should estimate its required needs for rehabilitation funds for one year, and return any remaining funds to HUD.</p>	\$ —
3. Grant Number B-87- MC-42-0104	<p><i>Finding:</i> No environmental review or documentation that one was not required was found for the Dumpster Program upon initial review. The Planning Department has subsequently prepared the required information.</p> <p><i>Recommendation:</i> We recommend that the Planning Department prepare all necessary documentation in compliance with HUD regulations and review files periodically to ensure that they are complete.</p>	\$ —
4. Grant Number B-87/88- MC-42-0104	<p><i>Finding:</i> During 1988, Penn Hills made drawdowns on their 1988 grant prior to exhausting their prior year funds.</p> <p><i>Recommendation:</i> The Municipality should draw on the prior grant year until it is exhausted before drawing on the new grant.</p> <p><i>Finding:</i> The planning department requested a check for payment to a contractor in December 1988. However, the payment has not been made as of April 5, 1989, due to noncompletion by the contractor.</p> <p><i>Recommendation:</i> No checks should be requested or prepared until the projects are completed and inspected by the appropriate personnel.</p>	\$ —

Grantee's Response to Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988

1. *GPR on Cash Instead of Accrual:* Future GPR's will be prepared on an accrual basis and in conformance with HUD requirements.

2. *Lump Sum Account—Nonhousing Related Expenditures:* This problem has been corrected in accordance with HUD recommendations. The Lump Sum Account is now used solely for housing related activities.

3. *Dumpster Program:* Documentation is now on file regarding environmental review of our Dumpster Program.

4. *Drawdowns on 1988 Grant Prior to Exhausting 1987 Grant:* This problem has been corrected and prior grants will be exhausted prior to drawdowns on current year grants.

5. *Requested Check to Contractor 12/88, Payment Not Made:* Check No. 42-483 has been voided. The Rehab Inspector prematurely requested final payment. The work has, as of June 1989, been completed and a new request for final payment is now being processed. The Rehab Specialist has been instructed to personally inspect prior to requests for final payment.

MUNICIPALITY OF PENN HILLS [PENNSYLVANIA]

*Schedule of Findings and Questioned Costs  
Status of Findings Noted in HUD Monitoring Reviews  
During the Year Ended December 31, 1988*

<u>Monitoring Review Date/Program Reviewed</u>	<u>Finding/Noncompliance</u>
Community Development Block Grant Program January 26 and 27, 1987 B-87-MC-42-0104	1. <i>Finding:</i> The monitoring review found that there was no handrail at the steps from the basement to the garage at 119 Lansdowne Drive. <i>Status:</i> The Municipality paid for the handrail to be installed. HUD subsequently cleared this comment.
April 26 and 27, 1988 B-86-MC-42-0104	2. <i>Finding:</i> The monitoring review found that Penn Hills failed to return investment income earned on CDBG funds. <i>Status:</i> The Municipality determined the amount of interest earned from 1982 to 1987 and remitted \$741.85 to HUD. This finding was cleared. 3. <i>Finding:</i> The lump-sum drawdown agreement with PNB expired December 31, 1985. However, the Municipality continues to make lump-sum drawdowns. Furthermore, they expended lump-sum drawdowns on nonhousing-related expenditures. HUD determined that funds in excess of their current requirements should be returned. <i>Status:</i> Penn Hills assured HUD that no lump-sum drawdowns would be made without negotiating a new agreement with PNB. Also, the excess funds were wire transferred to the Treasury. HUD cleared this finding (see finding #7).
March 16 and 17, 1989 B-87/88-MC-42-0104	4. <i>Finding:</i> The Municipality allocated vacation, sick and holiday pay 50% to CDBG and 50% to non-CDBG activities. HUD determined that this allocation process was not adequate. <i>Status:</i> Penn Hills determined that vacation, sick, and holiday pay would be allocated in proportion to the actual hours spent on CDBG versus non-CDBG activities. HUD subsequently cleared this comment. 5. <i>Finding:</i> HUD found deficiencies in Penn Hills procedures relating to professional services. The Municipality was not in full compliance with the requirements of OMB Circular A-102, Attachment O. <i>Status:</i> Penn Hills amended its procurement standards to reflect this finding. HUD subsequently cleared this finding. 6. <i>Finding:</i> HUD noted that funds were expended for water and sewer activities, but the requirements of 24 CFR Part 52 and

Monitoring Review  
Date/Program Reviewed

Finding/Noncompliance

Executive Order 12372, Intergovernmental Review of Federal Programs were not followed. The final statement submitted by Penn Hills did not include two storm sewer construction activities: (1) Bon Air/Ross Street Parks, and (2) Hansell Street Site Improvements.

*Status:* HUD recommended that the Municipality submit an amended description of the actual work undertaken for the above-noted activities and submit to the Single Point of Contact and HUD. The Municipality plans to submit this documentation.

7. *Finding:* The lump-sum drawdown agreement with PNB was found to still be in violation of Section 570.513. The agreement was not revised to address or incorporate the deficiencies noted in the January 6, 1989, letter.

*Status:* Penn Hills plans to send PNB notification of the changes which need to be made per HUD.

Grantee's Response to Schedule of Findings and Questioned Costs  
Status of Findings Noted in HUD Monitoring Reviews  
During the Year Ended December 31, 1988

1. *Lansdowne Drive Handrail:* The Municipality has installed and paid for the installation of a handrail at the steps from the basement to the garage at 119 Lansdowne Drive.
2. *CDBG Investment Income:* The Municipality calculated the amount earned from 1982 to 1987 and remitted that amount to HUD.
3. *PNB Lump-Sum Drawdown Agreement:* See 7.
4. *Allocation of Vacation, Sick, and Holiday Pay:* The Municipality has determined an allocation method that more accurately reflects the actual hours spent on CDBG versus non-CDBG activities.
5. *Noncompliance with OMB Circular A-102, Attachment O:* The Municipality has amended its procurement standards to comply with the OMB Circular.
6. *Documentation of Water and Sewer Activity Expenditures:* The Municipality will submit the recommended documentation to HUD.
7. *PNB Lump-Sum Drawdown Agreement:* The Municipality will meet with PNB to modify their agreement to include all HUD recommended changes.



CITY OF RICHMOND, VIRGINIA

*Schedule of Findings and Questioned Costs*  
*Year Ended June 30, 1989*



Finding/Noncompliance for the Year Ended June 30, 1989

*Observation:* RRHA does not maintain liability insurance as required by the CDBG agreement dated July 1, 1987. RRHA has not been able to obtain reasonably priced and/or adequate comprehensive general liability insurance. RRHA maintains a "self-insurance" reserve for most fire and extended coverage on properties, all directors and officers liability and general liability exposures. HUD has authorized RRHA to reserve a portion of its fund balance for self-insurance claims. At September 30, 1987, RRHA's reserve for self-insurance was \$713,152, which includes asserted and unasserted claims. This reserve, however, can only be used to pay claims that arise out of RRHA's Low-Rent activities. Claims arising from other programs are recognized as a program expense in the year the claim is settled, subject to funding availability.

*Implication:* The ultimate responsibility of the City to pay claims on behalf of RRHA is not determinable. Also, failure to comply with the terms of the grant document may cause repercussions with the Federal grantor.

*Recommendation:* In the absence of liability insurance, the City should request a waiver of the CDBG contract requirement.

*Management Response:* The City is pursuing several possible alternatives, including "self-insurance" and a waiver.

*Comments Based on 1989 Audit:* No changes have been made.

*Observation:* During fiscal year 1987, RRHA's Operating Equipment Fund revenues exceeded expenses by \$211,181. The Operating Equipment Fund's retained earnings at September 1, 1987, were \$1,267,903. The amount of the excess resulting from leasing activities funded by grant programs is not readily determinable for 1987 and previous years.

RRHA received approval from HUD in 1955 to establish the above fund and received subsequent documentation in 1966 from HUD which reaffirmed the approvals in 1955 and clarified the purpose and use of this fund.

RRHA has not received HUD approval for all fixed-asset purchases nor for the specific replacement cost factor charged to programs.

*Implication:* Current HUD regulations generally require that all capital-type expenditures be approved by HUD prior to their purchase. HUD also requires that such charges be reasonable in relation to the program.

*Recommendation:* The City should review the Operating Equipment Fund with RRHA and clarify its purpose and lease charge policy with HUD to resolve any ambiguities/discrepancies between prior authorizing documents and current regulations.

*Management Response:* While the City agrees with RRHA that the regulations regarding this matter have changed since 1966, it believes the specific approvals received from HUD authorize the purpose and intent of the fund. Additionally, the annual budget submission made to and approved by HUD clearly sets forth these charges. The City will arrange to meet with representatives of RRHA and HUD to review and clarify the purpose, rental fee formulas and uses of the Operating Equipment Fund.

*Comments Based on 1989 Audit:* No meetings with representatives of RRHA and HUD to review and clarify the purpose, rental fee formulas and uses of the Operating Equipment Fund have occurred.



CITY OF SALISBURY, MARYLAND

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
HUD Community Development Block Grants	The CDBG program was not a major federal program during the fiscal year ended June 30, 1989. Therefore, testing of compliance with laws and regulations was not required. However, through our audit of the general purpose financial statements, we became aware of the following matters:  In a letter dated August 4, 1988, HUD stated that the City must return \$394,378 which was spent on property acquisition in the 1983 grant year. Since this date, HUD has requested that the City submit a program amendment to the Community Block Development Grant under which these funds were originally awarded. The City plans to submit the program amendment. If the amendment is accepted, the return of funds may not be required.	\$394,378



CITY OF MIAMI [FLORIDA]

*Current-Year Findings and Recommendations*



2. *Documentation deficiencies concerning certain CDBG subrecipients were noted.* Our audit included testing of the City's internal administrative controls over subrecipients of Community

Development Block Grant (CDBG) funds for compliance with the City's guidelines provided in the Social Service Agreement. We found the following items were not in compliance:

- a. As per Article I 1.7 of the Social Service Agreement, a report from a certified public accountant verifying the grantee's internal controls as adequate to safeguard the organization's assets is required under each subrecipient contract. No such report was located for the Martin Luther King Economic Development Corp.
- b. As per Article I 1.14 of the Social Services Agreement, all subrecipient social service agencies must submit a final expenditure report no later than thirty days after the expiration of the agreement. During our testing, we noted that there were no final expenditure reports for the subrecipient social service agencies tested (James E. Scott Community Association Elderly Nutrition Project, Action Community Center, Inc., Coconut Grove Family Center).

*Management's Response:* The Department of Community Development of the City of Miami, Florida has taken strong administrative action to verify the grantee's internal controls as required under the contract. An independent auditing firm has also been contracted to review Martin Luther King Economic Development Corp. and other subrecipients.

The three social services agencies discussed above submitted their final expenditure reports as follows: James E. Scott Community Association Elderly Nutrition Project, submitted their final expenditure report on September 6, 1989; the Action Community Center, Inc., submitted their report on July 17, 1989; and the Coconut Grove Family Clinic submitted their report on August 24, 1989.

The Department of Community Development will continue to provide administrative control and to adequately safeguard assets as required for each subrecipient.

3. *Department of Community Development's policies regarding subrecipient audits should be revised.* During our review of the City of Miami's Department of Community Development, we noted the Department's Policies and Procedures Manual for Community Based Organizations requires subrecipients receiving \$75,000 or more to obtain an independent auditor's report. The Single Audit Act and OMB Circular A-128 require subrecipients receiving \$25,000 or more be subject to an audit by an independent auditor in accordance with generally accepted auditing standards covering financial and compliance audits. The Department's manual should be revised to reflect the guidelines under the Single Audit Act.

*Management's Response:* The Department of Community Development will amend their Policies and Procedures Manual for Community Based Organizations to comply with the Single Audit Act and OMB Circular A-128 to require subrecipients receiving \$25,000 or more be subjected to an independent auditor's examination. The Department's manual will be reviewed to reflect compliance with the guidelines under the Single Audit Act.

4. *Certain HUD grant expenditures were not submitted for reimbursement on a timely basis.* During 1988, the City established the Housing Conservation and Development Agency (Project No. 113000) to account for the City's efforts in providing livable housing stock to its citizens. Such efforts are funded through a cooperative effort between the City, private developers and lenders, state and federal agencies and the citizens themselves. Federal funding used in this program includes Community Development Block Grant Funds, Rental Housing Rehabilitation and Section 8 Housing Assistance Program Funds.

The establishment of this new project shifted the accounting for certain reimbursable expenses into new projects and subfunds. Due to a failure to include the newly established projects in its drawdowns submitted to the Department of Housing and Urban Development, certain grant expenditures were not reimbursed on a timely basis.

*Management's Response:* The City's Department of Housing and the Department of Finance have corrected the problems which surfaced in regard to timely reimbursement and bridged the time delay for reimbursable expenditures from Community Development Block Grant Funds, Rental Housing and Section 8 Housing Funds. The initial delay was due to personnel and accounting procedural changes which have now been rectified.





CITY OF WICHITA, KANSAS

*Schedule of Federal Program Questioned Costs  
Year Ended December 31, 1988*

Community Development Block Grant

Questioned Cost: \$2

*Reason:* A construction worker was paid less than the prevailing wage as determined by the Department of Labor.

*Response:* The compliance officer is required to notify the prime contractor when restitution is required. That notification has been sent.

*Schedule of Federal Program Findings*

*Year Ended December 31, 1988*

Lower-Income Housing Assistance Program

Twenty-five files were examined for compliance with federal requirements. Each file represents one tenant.

*Finding:* In two files, the total tenant rent was incorrectly calculated; and in four files the utility allowances were incorrectly calculated.

*Response:* WHA management personnel sample files on a monthly basis as an internal test for clerical accuracy. Both total tenant rents and utility allowances have been subsequently corrected. To reduce the possibility of future miscalculations, the WHA Section 8 Leasing Staff has been directed to review with the tenant/landlord the Request for Lease Approval to ensure tenants receive the correct allowances for those utilities and other services furnished by the tenant. A cross-check with previous years' utility allowances has been implemented. The Section 8 Inspectors have been instructed to verify, on the inspection form (during their annual on-site inspection), the type of cooking fuel utilized by the tenant for cooking. In several instances, tenants and landlords have incorrectly stated in writing the type of fuel used. The on-site inspection will verify the accuracy of the data. In addition, the WHA will increase the number of monthly files randomly reviewed from ten percent to fifteen percent.

Community Development Block Grant—Davis-Bacon Act

*Finding:* A construction worker was paid less than the determined prevailing wage amount.

*Response:* The compliance officer is required to notify the prime contractor when restitution is required. That notification has been sent.



CITY OF TUCSON, ARIZONA

*Schedule of Findings and Recommendations*

<u>Federal Program</u>		<u>Questioned Costs</u>
•••••		
Community Development Block Grant	<p>2. File Federal Cash Transactions Report on a Timely Basis. The City did not submit the standard Form 272—Federal Cash Transactions Report within 15 working days following the end of the quarter ended June 30, 1989, as required by the U.S. Department of Housing and Urban Development. The completed report was submitted on August 3, 1989, or 24 work days following the end of the June 30, 1989, quarter.</p> <p>We recommend that the City establish administrative procedures designed to ensure that the Federal Cash Transactions Report is submitted within 15 working days following the end of the quarter, as prescribed by the U.S. Department of Housing and Urban Development.</p> <p>If it is not feasible for the City to meet the reporting deadline, it is recommended that the City request an extension of the filing date.</p>	None

<u>Federal Program</u>	<i>Management's Response:</i> The City will introduce monitoring procedures designed to assist it in filing all required reports on a timely basis.	<u>Questioned Costs</u>
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CITY OF WILKES-BARRE, PENNSYLVANIA

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

Grant Compliance Findings

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
1. 1987 Rental Rehab Program/ Excess Cash Drawdowns	<p>The City drew grant funds down to pay the contractor in anticipation of the expected costs. Unearned grant revenues in the program at December 31, 1988, totaled \$27,500. Article V, Section 1. a), of the grant agreement states:</p> <p style="padding-left: 40px;">All requests for drawdown of grant funds must be made in accordance with the procedures established by HUD. Due to the structure of the RRP, State Recipients must submit funding requests in a manner designed to minimize retention of funds by State Recipient. . . .</p> <p><i>City's Comments and Corrective Action Plan:</i> The City is permitted to draw down grant funds under the Rental Rehabilitation Program once a project is 50% completed (½ payment) and 100% completed (final ½ payment). Verification of work completed is conducted by the City's Housing Inspector prior to the release of RRP grant funds.</p> <p>In 1988, the City was also under the impression that grant funds could be drawn down prior to the completion of a rehab project if said project was expected to be completed in a short period of time. Based upon this premise and conversations with several of the participating property owners at the time who indicated that they anticipated completion of their projects within a few weeks, the City's Rental Rehab coordinator decided to draw down RRP funds for these projects. Unfortunately, the property owners did not successfully complete their projects in a timely manner which resulted in the City experiencing unearned grant revenues totaling \$27,500 as of December 31, 1988.</p> <p>This problem has since been rectified by the City in that RRP grant funds are not drawn down until after verification that said project is either half completed or totally completed. RRP funds are then immediately released to the participating property owner.</p>	\$27,500
2. CDBG Entitlement Funds/Grantee Performance Reports	<p>Information reported on the Grantee Performance Report did not agree to expenditures reflected on the City's financial statements. Variances occurred because of cut-off dates and different sources of information used for preparing the report. All departments should use the same cut-off dates and general ledger reports and reconcile any reporting differences with the City's general ledger.</p> <p><i>City's Corrective Action Plan:</i> The expenditures reflected in the Grantee Performance Report covered the period beginning January 1, 1988, and ending December 31, 1988, as required</p>	-0-

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
	<p>by HUD. The GPR did not reflect those expenditures for CDBG activities which were paid after the December 31 cut-off date even though they covered a time period ending December 31, 1988.</p> <p>For example, under the public service activity—Library Services—a quarterly bill for the period beginning September 1, 1988, and ending December 31, 1988, was not received by the BCD office until January 31, 1989. Since this bill was not paid as of December 31 it was not included in the Expenditure column on the GPR, however, the balance remaining in this activity was reported on the GPR under the Unliquidated Obligations column.</p> <p>Where the discrepancy occurs regarding the reporting of expenditures between the GPR and the City's financial statements is when the City credits the City's CDBG Program's financial statements to reflect this expenditure as of December 31, 1988, on the basis that it covered the period ending December 31, 1988.</p> <p>I do not believe that this discrepancy in expenditures can be totally corrected since HUD requires that the City submit its GPR within 90 days (March 31st) following the end of the City's program year (December 31st). Because of this time restraint, it could be submitted after the GPR has been submitted to HUD, and therefore, would not have been reflected on the GPR as an expenditure as of December 31. The City, however, shall make every effort to assure that all bills are submitted in a timely manner and funds expended to provide for uniform financial reporting.</p>	



PINELLAS COUNTY, FLORIDA

*Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Community Development Block Grant B-87-UC-12-0005	<p>It was noted for the period ending February 23, 1988, that no evidence was present to indicate the payroll records had been reviewed by Pinellas County, Florida, personnel, in compliance with the Davis-Bacon Act. Based on our review, this instance of noncompliance did not result in any questioned costs.</p> <p><i>Recommendation:</i> We recommend that Pinellas County, Florida, document review of all payroll related costs to ensure compliance with all the federal requirements of the Davis-Bacon Act.</p> <p><i>Response:</i> The County will implement the above recommendation.</p>	\$ —



CITY OF WEST PALM BEACH, FLORIDA

*Schedule of Findings and Questioned Costs  
Year Ended September 30, 1988*

Program	Findings/Noncompliance	Questioned Costs
Community Development Block Grant Entitlement Grant Number B-87-MC-12-0022	<p>The City's Grantee performance report for the year ended September 30, 1988, was not sent to the U.S. Department of Housing and Urban Development by December 31, 1988. The report was filed in January 1989.</p> <p>All prior year findings related to the Community Development Block Grant Entitlements were resolved during the current year.</p>	\$ -0-



PROVO CITY CORPORATION [UTAH]

*Schedule of Findings and Questioned Costs—Current Period  
June 30, 1989*

Program	Finding, Condition, and Recommendation	Questioned Costs
HUD—Community Development Block Grant Program (CDBG) Grant No. B-88-MC-49-0003	<p>1. <i>Finding:</i> There is a lack of documented evidence supporting the monitoring of Davis-Bacon rules as it relates to construction contracts.</p> <p><i>Condition:</i> Although monitoring of Davis-Bacon wages is being performed, evidence documenting the monitoring is not done.</p> <p><i>Recommendation:</i> We recommend that a procedure be implemented to document the monitoring of Davis-Bacon compliance.</p> <p><i>City's Response:</i> The City concurs with the auditor's recommendation.</p>	\$ -0-
HUD—Community Development Block Grant Program (CDBG) Grant No. B-88-MC-49-0003	<p>2. <i>Finding:</i> The annual Grantee Performance Report (GPR) for the year ended June 30, 1989, was filed after the due date.</p> <p><i>Condition:</i> Complete information was not available at the time the GPR was due and therefore it was not timely filed.</p> <p><i>Recommendation:</i> We recommend that all financial information related the GPR be reconciled periodically to the City's general ledger. Account classifications in the general ledger should correspond to the performance report.</p> <p><i>City's Response:</i> The City will endeavor to file the grantee performance report on time.</p>	\$ -0-
HUD—Community Development Block Grant Program (CDBG) Housing Rehabilitation Revolving Fund	<p>3. <i>Finding:</i> Some expenditures for the Housing Rehabilitation Program were recorded in other funds. There were also some expenditures for other funds that were recorded in the Housing Rehabilitation fund.</p> <p><i>Condition:</i> Expenditures for the Housing Rehabilitation Program recorded in the general ledger are not reconciled on a timely basis with the program administrator.</p> <p><i>Recommendation:</i> We recommend the periodic reconciliation be made with the detail activity of the Housing Rehabilitation program and the amounts recorded on the general ledger.</p>	\$ -0-

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Finding, Condition, and Recommendation</u>	<u>Questioned Costs</u>
	<p><i>City's Response:</i> The City split the Housing Rehab programs into three funds in the second quarter of the year to follow the recommendations of the prior year audit. As a result, several months' transactions for fiscal year 1989 were included in only one fund. With the addition of a fourth fund, there should not be confusion between the grantee performance report and the general ledger. In addition, quarterly reconciliations are currently being performed.</p>	

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CITY OF SHREVEPORT, LOUISIANA

*Schedule of Findings and Questioned Costs (Single Audit)  
Year Ended December 31, 1988*

<u>Program</u>	<u>Findings</u>	<u>Questioned Costs</u>
Community Development Block Grant	<p>2. In examining the City's system of monitoring subrecipients of the CDBG program, we noted that the City did not request some of the monthly progress reports from two subrecipients (the Chamber of Commerce and Entrepreneurial Development Corporation).</p> <p><i>Management Response:</i> We are now getting monthly progress reports from the Chamber of Commerce and Entrepreneurial Development Corporation.</p>	—
	<p>3. We noted the Neighborhood Housing Services and Entrepreneurial Development Co. had no contract for an audit for the year ended December 31, 1988.</p> <p><i>Management Response:</i> We are in the process of soliciting requests for proposals for an audit.</p>	—
	<p>4. We noted that the contract agreement with the Chamber of Commerce does not require that an annual audit be performed as is required by the OMB Circular No. A-128.</p> <p><i>Management Response:</i> We got a copy of the Chamber of Commerce audit although not required by contract. We will amend the contract to require an audit.</p>	—

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CITY OF WILSON, NORTH CAROLINA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

[*Program/Grantor:* Department of Housing and Urban Development—Rental Housing Rehabilitation 14.230]

[*Ed. Note:* In the original schedule, the name of the program grantor was presented as a separate column.]

<u>Findings and Questioned Costs</u>	<u>City's Response</u>	<u>Questioned Costs</u>
Proper contract procedures are not being followed for	Since these findings were noted, all work write-ups, proceed orders, contractor's final	None

<u>Findings and Questioned Costs</u>	<u>City's Response</u>	<u>Questioned Costs</u>
<p>Rental Rehabilitation loans. The work write-up, proceed order, contractor's final invoice, and release of liens and warranties are not being dated when prepared.</p>	<p>invoices, and releases of liens and warranties have been appropriately dated.</p>	
<p>In a review of a Rental Rehabilitation file, it was noted that the deed of trust did not contain the condominium conversion and nondiscrimination against subsidized tenants clauses which are required by the Rental Rehabilitation grant program.</p>	<p>All Deeds of Trust for the Rental Rehabilitation Program presently contain the condominium conversion and nondiscrimination clauses required.</p>	<p>None</p>
<p>A review of one file indicated that no deed of trust was present for a Rental Rehabilitation project for which a loan had been made.</p>	<p>The City advanced loan funds to the property owner prior to obtaining the deed of trust and therefore the City will not be reimbursed by the Rental Rehabilitation Program. The City attorney is in the process of securing a deed of trust for the City.</p>	<p>None</p>
<p>An inspection of five specific projects was conducted by Barry Norman, North Carolina Housing Finance Agency Rental Rehabilitation Coordinator. Minimum housing standards were not met at three of the sites. It was also noted that no deed of trust existed for the site at 703 Carroll Street.</p>	<p>All rehabilitated units require a Certificate of Occupancy from the City's Inspection Department prior to final disbursement of funds. This certificate documents that minimum housing standards have been met. Subsequent to the inspection by the North Carolina Housing Finance Agency Rental Rehabilitation Coordinator, Certificates of Occupancy were obtained for all projects. The City Attorney is currently trying to secure a deed of trust for this property.</p>	<p>None</p>
<p>Positive confirmation of all loan balances outstanding at March 31, 1989, and actual payments for the period December 1988 through March 1989 revealed eight loan payments amounting to \$789 which were made to the Community Development Department but were not deposited in the City's bank account or recorded in the general ledger. We recommend the following improvements in the controls surrounding the Community Development loan program be implemented.</p>	<p>The City has reviewed the recommendations for improvements in internal controls and plans to implement them to improve internal control.</p>	<p>\$789</p>
<p>1. Monthly loan statements should be agreed to the Community Development Due Register. When monthly loan statements are produced, they are not</p>		

*Schedule of Findings and Questioned Costs (continued)*

<u>Findings and Questioned Costs</u>	<u>City's Response</u>	<u>Questioned Costs</u>
<p>reviewed for accuracy prior to mailing. The Community Development Coordinator should agree the monthly statements to the Community Development Due Register prior to their mailing to determine that no differences exist.</p> <p>2. Delinquent accounts should be monitored on a monthly basis. Loanholders with delinquent accounts should be contacted on a monthly basis to determine the cause of the delinquency.</p> <p>3. The completion of daily procedures should be supervised. To ensure the timely and accurate performance of the above recommendations, a schedule should be developed to supervise the performance of the procedures. Such review should be evidenced on the appropriate reconciliations, and/or reports by the initials of the supervisor.</p> <p>4. All loan payments should be received by the cashier's office. The monthly loan statement indicates that all loan payments should be mailed to "Collectors—Community Development." This should be changed so that payments are sent to the City's cashier office in order to establish initial accounting control over cash receipts. The Community Development Department should not be allowed to accept any payments.</p>		<hr style="width: 50px; margin-left: auto; margin-right: 0;"/> \$ 789 <hr style="width: 50px; margin-left: auto; margin-right: 0;"/>

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CITY AND COUNTY OF HONOLULU, HAWAII

*Current Year's Findings of Noncompliance and Questioned Costs  
For the Fiscal Year Ended June 30, 1989*

<u>Program</u>	<u>Finding of Noncompliance</u>	<u>Questioned Cost</u>
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Program	Finding of Noncompliance	Questioned Cost
Housing Assistance Payments Program for Low-Income Families (Section 8)	<p>Documentation</p> <p><i>Finding:</i> Documentation in the tenant files could be improved.</p> <p><i>Background:</i> The information in the documents maintained in the tenant file was not always accurate. For example, a HUD Form 50059 noted six individuals in a family; however, other documents stated that there were four individuals. The additional two occupants were grandchildren for whom the tenant file had no supporting documentation.</p> <p><i>Recommendation:</i> Establish procedures to maintain correct documentation in tenant files.</p> <p><i>Administration's Comments:</i> The procedures are in place; but the temporary use of student hires to process documents was the cause of the problem. The summer hires were used because of the shortage of examiners at that time. The examiners assigned to each case are basically responsible and they will be reminded of the need for correct documentation in the tenant files.</p>	N/A
	<p>Housing Assistance Payments</p> <p><i>Finding:</i> The computation of the housing assistance payment (HAP) was not always correct.</p> <p><i>Background:</i> The HAP should be computed based on the greater of 30% of monthly adjusted gross income or 10% of monthly gross income. There was a mathematical error in computation of one HAP tested.</p> <p><i>Recommendation:</i> Review HAP computations to ensure payments being made do not exceed program limitations.</p> <p><i>Administration's Comments:</i> The supervising examiner performs the function of quality control. The clerical staff also reviews the computations during the process of transposing the figures onto appropriate forms. The need for accurate computations by everyone involved will be reemphasized.</p>	\$36



CITY OF EUGENE, OREGON

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*



Program—Community Development Block Grant (CFDA Number 14.218)

*Finding No. 2:* The expenditure amounts reported to Housing and Urban Development on the third and fourth quarter Federal Cash Transactions Report (Form 272) should have included only expenditures for the Community Development Block Grant (CDBG). However, such reports included expenditures for both the CDBG and Rental Rehabilitation Program.

*City's Response:* The City is aware of the circumstances, will adjust the report and submit a revised report. The City reviewed and adjusted procedures to ensure excluding these expenditures in the future.

*Finding No. 3:* The cash receipts amount reported to Housing and Urban Development on the fourth quarter Federal Cash Transactions Report (Form 272) included amounts errantly drawn by the bank on the City's Federal Aviation Administration (F.A.A.) letter of credit.



*City's Response:* The City is aware of the bank error and its impact on the fourth quarter report and will adjust the report and resubmit a revised report. The City will also review procedures for requesting drawdowns to ensure that the bank clearly understands which line to draw against.

*Finding No. 4:* Revisions related to project expenditure detail reported on the Community Development Block Grant Grantee Performance Report were submitted to Housing and Urban Development (HUD) subsequent to the required submission date.

*City's Response:* The City made revisions based on information obtained subsequent to the original report submission and provided revisions to HUD.



CITY OF CLEVELAND, OHIO

*Schedule of Findings*



Community Development Block Grants:

Failure to Comply with Minority Bank Deposit Agreement/Filing of Inaccurate Report

*Finding:* The U.S. Department of Housing and Urban Development requires that all funds which are deposited in an approved minority bank be reported to H.U.D. The City has an agreement with the First Bank National Association (an approved minority bank) to deposit all CDBG funds in their bank. Instead of depositing \$1,560,941.92 into FBNA the grantee deposited these CDBG monies into a different non-minority financial institution for a two-month period. The grantee also reported to HUD that these monies were deposited into a minority bank as of June 30, 1988. This is an error in the reporting requirements of the grantee.

*Recommendation:* Reconciliations of bank accounts and bank statements should be used to verify balances held in certain banking institutions when used to report to grantors.

*Grantee's Response:* In April 1988 the City of Cleveland entered into a lump sum drawdown agreement for \$2,000,000 for its low-interest Rehabilitation Loan Program with the First Bank National Association (FBNA). When the funds were drawn down and received on May 10, 1988, FBNA was experiencing financial difficulties to the point of almost going under. In order to safeguard the federal funds, the City Treasurer deposited the lump sum funds with National City Bank until FBNA became more stable. In spite of this, FBNA continued to service approximately 1,200 Rehabilitation loans at a discount rate and provided professional advice in the area of collections as stated in the agreement.

Based on conversation between the City Treasurer and the Department of Community Development, the balance of \$1,560,941.92 from the lump sum drawdown had been planned to be transferred from National City Bank to FBNA before June 30, 1988; however, the actual transfer did not take place until July 6, 1988. The Minority Bank Deposit Statement that was submitted to HUD indicated the balance of funds in FBNA, assuming that the transfer had taken place.

The Department of Community Development has since started using the actual bank statement received from the City Treasurer as of the date of the quarterly report to avoid similar problems from occurring in the future.

Nontimely Reimbursement of Relocation Costs

*Finding:* Under programs involving the relocation of business and/or families, all relocation costs are to be paid within a reasonable amount of time. The U.S. Department of Housing and Urban Development has determined that a reasonable amount of time is thirty (30) days from the time of the application or reimbursement of relocation expenses by the relocated. As a result of our testing, we have found violations of this requirement.

*Recommendation:* The relocation process should be reviewed and changes implemented to ensure reimbursement applications are processed on a more timely basis to ensure compliance with grant requirements.

*Grantee's Response:* The relocation assistance payments for the two cases under question were delayed due to the incomplete claims submitted by the applicants. In one case, the moving company did not submit the invoice until six months later.

The Department of Community Development has since changed their procedures by not accepting the claims without all the supporting documentation. For the completed relocation assistance claims, all efforts are made to process the payment on a timely basis.



HOUSING AUTHORITY OF THE CITY OF CHARLOTTE, NORTH CAROLINA

*Review of Compliance:  
Findings, Recommendations, and Questioned Costs (continued)*

General

1. *Financial Reports not Submitted to HUD in Accordance with Requirements.* HUD Handbook 7475.1 REV, The Financial Management Handbook, requires that annual financial statements for low-income housing and Section 8 Programs be submitted to them by the Authority within forty-five (45) days after year-end. For the year ended March 31, 1989, such statements were not submitted until early August or nearly 2½ months late.

*Recommendation:* All financial statements and reports should be submitted to HUD in accordance with guidelines.

*Client Reply:* This matter was simply a matter of staffing. As indicated earlier, we have re-structured the Accounting Department. However, at the period of time we would be preparing our fiscal year close the Accounting/System Administrator left the Authority to accept another position. This was the first week of May 1989. As a result, we had to hire a new Accountant and then fill the position the new Accountant vacated. This process was not completed until early June.

The new staffing has given us the needed capability. However, the hiring and training process has caused us significant delays in year-end processing. Also during the year-end processing, we have taken the time to enhance our reporting system. At the time the conventional year-end reports were completed, we were significantly behind in current year processing. As of this writing, we are not current. We are preparing September 1989 information in October 1989.



Turnkey III Program

3. *Proceeds from Turnkey III Homesales not Remitted to HUD.* HUD Program Handbook 7495.3 requires that proceeds from the sale of homes under the Turnkey III Homeownership Program be remitted to HUD within sixty (60) days of fiscal year-end. As of March 31, 1989, proceeds from such sales totaling \$2,137,541 for fiscal years ended March 31, 1987, 1988 and 1989 have not been remitted.

*Recommendation:* It is my understanding that the Authority is currently negotiating an arrangement with HUD under which the Authority will retain subject homesale proceeds to finance the development of new housing programs. As in the prior year, my recommendation is that the Authority secure a waiver from this provision until HUD has had an opportunity to formally review and approve the proposed use of homesale proceeds.

*Client Reply:* As we have noted in the Audit, the Authority made a request to HUD to keep these funds. Since that time, we have given HUD a specific proposal to use the funds to develop additional housing. The proposal is a joint venture with the City of Charlotte. Also, in the past few months, HUD has issued specific regulations that would assist our current requests. We are currently awaiting a response to our proposal.



CITY OF CHICAGO, ILLINOIS

*U.S. Department of Housing and Urban Development (HUD)  
Community Development Block Grants (CDBG)—CFDA No. 14.218  
Department of Purchasing  
Year Ended December 31, 1988*

Finding 1988—8

Federal compliance requirements (OMB Circular A-102, Attachment B), mandate that the City obtain a performance bond equal to the contract price for all construction contracts.

We reviewed twenty-five (25) contracts for this program, fourteen (14) of which required a performance bond. There were no performance bonds available for three (3) of the construction contracts tested, as follows:

<u>Contractor</u>	<u>Project #</u>	<u>Purchasing Specification Number</u>	<u>Amount</u>
Department of Housing Action Wrecking Company	63238	70-85-26-01	\$150,275
Department of Public Works Velas Construction	72998	80-63-87-160	440,839
Velas Construction	72999	80-63-87-159	376,220

The City's purchasing procedures required that the bid deposits received for each contract be retained until the performance bond has been received. The bid deposit was not retained for these three (3) contracts.

We recommend that the City follow its established purchasing procedures and obtain performance bonds for all construction contracts prior to the commencement of construction, in compliance with Federal regulations.

#### 1988 Grantee Response

There are sufficient procedures in place to meet statutory and funding agency requirements for performance bonds. A standard contract term inserted into every City contract requires that the contractor submit a performance bond within 13 days after contract award. The Department of Purchases, Contracts and Supplies does not release the contractor's copy of the contract to contractor until the bond is received. User departments are not to issue the Notice to Proceed until such time as an approved performance bond is on file. The exceptions noted in the audit report appear to be the result of inadvertent issuances of the Notice to Proceed.

The procedures have been refined to admonish user departments, in the Notice of Contract Award, that no Notice to Proceed should be issued until further notification is given that the required performance/insurance/state and federal concurrence bond has been received.

Further, the Department of Purchasing's Extended Purchasing System, an automated procurement system, will track receipt of performance bonds and will print on a weekly basis an exception report showing bonds not received within the stated time frame. This report will alert the contract administrators to promptly follow up on bonds/certificates not received.

We believe that these revised procedures, conscientiously adhered to by all responsible personnel, are adequate to preclude a repeat of the exceptions noted.

#### CITY OF CHICAGO, ILLINOIS

*U.S. Department of Housing and Urban Development (HUD)  
Community Development Block Grants (CDBG)—CFDA No. 14.218  
City Department of Economic Development  
Year Ended December 31, 1988*

#### Finding 1988—9

Federal compliance regulations (CFR 570.506 and 570.80) mandate that the City must accurately account for any program income generated from the use of the CDBG funds and must return the income to the CDBG program.

The City does not have written collection policies and procedures for the repayment of CDBG loans; nor does the City adequately follow up and monitor delinquent or potentially delinquent loans. As of December 31, 1988, sixteen (16) business development loans and twenty-three (23) direct microloans were delinquent from thirty (30) to eleven hundred and fifty-four (1,154) days as follows:

<u>Project Name</u>	<u>Principal Loan Amount</u>	<u>Amount Delinquent</u>	<u># of Days</u>
Business Development Loans			
Everleigh Fashions	\$ 90,000	\$25,866	605
Fifth City Auto Services	50,000	39,153	1,154
Hyde Park Theatres	150,000	8,088	92

<u>Project Name</u>	<u>Principal Loan Amount</u>	<u>Amount Delinquent</u>	<u># of Days</u>
K-Del Industries	\$ 30,000	\$ 1,725	93
Redex, Inc.	200,000	21,181	152
Midwest Auto Parts, Inc.	150,000	10,509	152
H & H Enterprises, Inc.	100,000	4,627	151
Gerald Gorski and Michael Esposito	104,719	4,107	90
Hi-Grade Paint Co.	100,000	1,983	30
Mike Taters, Inc.	175,000	4,528	59
Chicago Airlines, Inc.	200,000	31,579	575
Imperial Color, Inc.	75,000	4,537	152
ECO Partners, Inc.	100,000	4,449	91
Maya Romanoff Corp.	150,000	1,667	62
Babbit Auto Parts	150,000	3,524	120
37th Place Building Partnership	250,000	2,083	30
<b>Direct Micro Loans</b>			
June Haynes, d/b/a Class Plus Boutique	12,500	2,021	275
Jesse Avila, d/b/a J & J Silversmith	12,500	2,471	335
LaVerne Lewis, d/b/a Little Nickel Grocery	12,500	4,941	673
Marchand Decuir, Inc.	12,500	5,314	458
Pauline Burke Originals	12,500	674	92
Penny's Carpet Cleaning	5,000	4,949	1,037
Gain's Barber College and Styling School	12,500	3,849	550
Poppies Pizza, Inc.	12,500	4,717	641
Palace Fashions	12,500	225	30
Chicks Auto Center, Inc.	12,500	225	30
Juan Carlos Unisex Hairstyling, Inc.	12,500	4,716	611
Robbins Clay Co.	12,500	5,816	519
Hickman Construction Co.	12,500	2,920	397
Dallas Beecher Construction	12,500	3,369	458
Eddie's Enterprises, Inc.	12,500	5,453	457
1212 Market Place, Inc.	12,500	225	30
For Feets Sake	12,500	5,166	701
Max's For Italian Beef	12,500	4,941	671
Decima Musa, Inc.	12,500	1,347	184
Fiol Accounting Service	12,500	898	123
Dinero Financial Service	6,500	1,512	245
San Lorenzo Foods	12,500	1,396	182
Letagraf	12,500	224	30

Since collected funds are used to fund subsequent loans and programs, there is a risk that uncollected funds could cause the City to be unable to adequately fund future loans and programs.

We recommend that the City establish adequate monitoring and collection procedures for its loan projects.

#### 1988 Grantee Response

The Department of Economic Development is establishing a loan monitoring and collection unit and has prepared written collection policies and procedures to which it adheres. Our loan monitoring and collection policies have been reviewed and approved by HUD and our Office of Budget and Management. The monthly loan collection and monitoring process begins with (1) monthly loans billings and, (2) receipt of the Comptroller's Monthly Loan Status Report. All loans are billed monthly except coupon, UDAG and those for whom we have formal notification that bankruptcy has been filed. Past due amounts as well as the current payment due appears on the monthly bill.

All borrowers reported to be thirty (30) or more days delinquent in the Comptroller's Monthly Loan Status Report are contacted immediately upon receipt of the monthly report. Collection procedures include monthly telephone and/or collection letter contact. The Comptroller's report is reviewed to determine whether borrowers are adhering to payment arrangements. Telephone contact and a series of progressively strident collection letters are employed, culminating in the transmittal of the delinquent account to the Law Department when it becomes ninety (90) days

past due and satisfactory repayment terms cannot be reached or the borrower is unresponsive. Delinquent borrowers are invited, encouraged to meet with Department officials to discuss and resolve their delinquent status. Every effort is made to reach a satisfactory repayment arrangement with a delinquent borrower in order to recover loan funds thereby reducing, limiting loan losses.

Our loan collection and monitoring activity to date has resulted in the payoff of two Direct Micro loans that were more than \$9,100.00 delinquent at December 31, 1988, the receipt of \$105,000 from delinquent borrowers and produced the results summarized in the tables below. All of the accounts which are ninety (90) days or more delinquent as of July 31, 1989 (1) have filed bankruptcy and have been referred to the Law Department, (2) have been transmitted to the Law Department for litigation and are in various stages of litigation, (3) are on repayment plans and are adhering to the terms of the repayment plans.

July 31, 1989, status of loans reported as delinquent by Comptroller at December 31, 1988:

*Direct Micro Loans*

6 are current  
4 have been paid off  
2 have been referred to the Law Department for litigation  
5 were at Law Department for litigation at December 31, 1988  
1 restructured by Law Department; customer adhering to restructuring agreement  
3 on payment plan; customers are adhering to payment plan terms  
2 are thirty (30) days delinquent

23

*Business Development Loans*

5 are current  
4 have been paid off  
1 has been referred to the Law Department for litigation  
3 were at Law Department for litigation at December 31, 1988  
3 are thirty (30) to sixty (60) days delinquent

16

CITY OF CHICAGO, ILLINOIS

*U.S. Department of Housing and Urban Development (HUD)  
Community Development Block Grants (CDBG)—CFDA No. 14.218  
City Department of Public Works  
Year Ended December 31, 1988*

Finding 1988—10

City procedures require the buyer department to receive "Interfund Settlement" vouchers for review, approval and subsequent submission for payment processing.

The Department of Public Works (DPW) approved and submitted for payment "Interfund Settlement" vouchers relating to the Department of Economic Development (DED)—CDBG projects, for which services were performed by the DPW. This practice interferes with the efficient control of project disbursement, budgets and monitoring, and could cause budget overruns. Based on our review, these vouchers were allowable costs. As a result, no costs are questioned in relation to these expenditures.

We recommend that the Department of Public Works adhere to the City's procedures for processing "Interfund Settlement" vouchers.

1988 Grantee Response

The Department of Public Works will assure that all future Interfund Settlement Vouchers for services to client departments will be sent to the respective City departments for review and approval in accordance with the City's procedures. It has been noted that even though DPW did approve some Interfund Settlement Vouchers for DED's projects, the audit determined that these vouchers were for allowable costs.

CITY OF CHICAGO, ILLINOIS

*U.S. Department of Housing and Urban Development (HUD)  
Community Development Block Grants (CDBG)—CFDA No. 14.218  
City Departments of Economic Development (DED) and Housing (DOH)  
Year Ended December 31, 1988*

Finding 1988—11

Federal compliance requirements (OMB Circular A-128) mandate that construction projects financed by Federal assistance must comply with the provisions of the Davis-Bacon Act.

DOH does not adequately document its review of CDBG contractor's payrolls for compliance with the Davis-Bacon Act. Of the eight (8) payroll documents tested, none indicated evidence of such a review. Also, contractor's payrolls, for the following programs, were not reviewed for compliance with the Davis-Bacon Act by DOH or DED:

*DOH*  
Abandonment Prevention Program

*DED*  
Facade Rebate Program  
Industrial Capitalization Assistance Program

We recommend that the City comply with Federal regulations and document the review of all CDBG contractor's payrolls for compliance with the Davis-Bacon Act.

1988 Grantee Response

*Department of Housing.* In order to comply with OMB Circular A-128, the Department of Housing has reviewed procedures for compliance with the Davis-Bacon Act provisions. The Contract Compliance unit will work with program personnel to ensure that the department complies with the Davis Act provisions.

*Department of Economic Development.* The Department of Economic Development implemented policies and procedures to comply with the provisions of the Davis-Bacon Act in May, 1989. The Mayor's Office of Employment and Training will monitor the department's facade rebate and industrial capital assistance programs for compliance with the Davis-Bacon Act. Program applicants are advised that they must comply with the Davis-Bacon Act and that the Mayor's Office of Employment and Training will monitor and report their compliance or noncompliance to the department. Beginning January 1, 1990, the department will begin to monitor the facade rebate and industrial capital assistance programs for compliance with the Davis-Bacon Act.

Finding 1988—12

Federal compliance requirements (OMB Circular A-102, Attachment O, paragraph 14a-j), mandate that the grantee include certain specified provisions in all contracts and subgrants.

Contracts, for the following programs, in DOH and DED did not contain provisions required by paragraph 14c through i:

*DOH*  
Abandonment Prevention Program  
Housing Rehabilitation

*DED*  
Facade Rebate Program  
Industrial Capitalization Assistance Program

We recommend that the City comply with Federal regulations by including the provision of OMB Circular A-102, Attachment O, paragraph 14a-j in all contracts and subgrants.

1988 Grantee Response

*Department of Housing.* In order to comply with Federal compliance regulations of OMB Circular A-102, Attachment O, paragraph 14a-j, the Department of Housing has established a compliance system. All program managers have been notified in writing regarding the specific provisions which must be included in all contracts and subgrants. The Finance and Administration division will monitor compliance in this area.

*Department of Economic Development.* The Department of Economic Development will revise the contracts for the Facade Rebate and Industrial Capital Assistance programs to incorporate the applicable Federal regulations.

CITY OF CHICAGO, ILLINOIS

*U.S. Department of Housing and Urban Development (HUD)  
Urban Development Action Grants (UDAG)—CFDA No. 14.221  
City Departments of Economic Development (DED) and Housing (DOH)  
Year Ended December 31, 1988*

Finding 1988—13

Federal compliance regulations (24 CFR 570.461 (f)), mandate that the City submit a semi-annual progress report for each UDAG project and that the data contained therein be adequately supported by grantees' records.

The semi-annual progress reports that were due on April 10, 1988, for the period ended March 30, 1988, were filed four days late by DED for fifteen (15) projects and were never submitted for nine (9) DED projects and one (1) DOH project. Data included in the semi-annual reports for the periods ending March 31, 1988, and September 30, 1988, was either unsupported by or not in agreement with the records of DED.

We recommend that the City submit the required semiannual progress reports on a timely basis; prepare such reports based on adequate supporting records and documents and retain such records in compliance with Federal regulations.

1988 Grantee Response

*Department of Economic Development.* In an internal memo, dated July 21, 1989, HUD indicated that the department is complying with semi-annual report requirements. The department has implemented procedures to make certain that the semi-annual reports are in agreement with department records which will be retained in compliance with Federal regulations.

*Department of Housing.* The Department of Housing does submit the semi-annual progress reports for each UDAG project on time. The one report in question concerned Burnham Park Plaza and was not completed because the department did not receive the HUD computer printout for the specific project. All semi-annual progress reports, prior and subsequent, have been completed and submitted by the established deadlines.

CITY OF CHICAGO, ILLINOIS

*U.S. Department of Housing and Urban Development (HUD)  
Urban Development Action Grants (UDAG)—CFDA No. 14.221  
City Department of Economic Development (DED)  
Year Ended December 31, 1988*

Finding 1988—14

Federal compliance regulations (24 CFR 570.461 (e)), mandate that program income generated from the use of UDAG grant funded activities must be accounted for and retained by the City and used to fulfill eligible program objectives as specified in the grant agreement.

There is no formal collection policy in place for repayment of UDAG loans administered by the Department of Economic Development. UDAG loan repayments can be received at three locations: the department which administers the project (loan), the Comptroller's Office, or directly by the City Revenue Department. Each month, the Comptroller's Office sends each of the three City departments that administers UDAG projects, a listing of their outstanding loans which show the dollar amount and number of days delinquent. Since repayments are not always received directly by the City Revenue Department, the Comptroller's information regarding the repayment status of UDAG loans is sometimes inaccurate and incomplete. Since collected funds are used to fund subsequent UDAG grant loan projects, there is a risk that uncollected funds could cause the City to be unable to adequately fund future loan projects. As of December 31, 1988, six (6) UDAG loans were delinquent as follows:

<u>Project Number</u>	<u>Project Name</u>	<u>Principal Loan Amount</u>	<u>Amount Delinquent (Including Interest)</u>	<u>Number of Days Delin- quent</u>
<i>Department of Economic Development:</i>				
B-81-AA-17-0066	Arrow Services	\$ 250,000	\$ 149,274	1,582
B-81-AA-17-0053	Abbott Group	350,000	334,482	1,924
B-82-AA-17-0075	Exchange Center Phase II	4,000,000	*	726
B-84-AA-17-0161	Kranzten Studio	1,000,000	387,575	1,065
B-81-AA-17-0054	Borland Buildings	5,000,000	146,143	276
B-81-AA-17-0153	River City	3,000,000	157,488	458

\*Information incomplete per "Loan Status Report."

We recommend that the City establish formal collection policies and procedures for the administering of UDAG loans.

#### 1988 Grantee Response

The Department of Economic Development is establishing a loan monitoring and collection unit and has prepared written collection policies and procedures to which it adheres. Our loan monitoring and collection policies have been reviewed and approved by HUD and our Office of Budget and Management. The monthly loan collection and monitoring process begins with (1) monthly loan billings and, (2) receipt of the Urban Development Action Grants Schedule of Outstanding Loans prepared by the Comptroller. All loans are billed monthly except coupon, UDAG and those for whom we have formal notification that bankruptcy has been filed. Past due amounts as well as the current payment due appears on the monthly bill. UDAG borrowers receive an amortization schedule and an explanatory letter summarizing loan repayment terms upon completion of the project's closeout report. Ordinarily, due to their size, sophistication and organizational structure, these borrowers are accustomed to debt servicing and do not require monthly reminders.

All borrowers reported to be thirty (30) days or more delinquent in the Urban Development Action Grants Schedule of Loans Outstanding, are contacted immediately upon receipt of the monthly schedule. Collection procedures include monthly telephone and or collection letter contact. The Comptroller's schedule of outstanding loans is reviewed to determine whether borrowers are adhering to payment arrangements. Telephone contact and a series of progressively strident collection letters are employed, culminating in the transmittal of the delinquent account to the Law Department when it becomes ninety (90) days past due and satisfactory repayment terms cannot be reached or the borrower is unresponsive. Delinquent borrowers are invited and encouraged to meet with Department officials to discuss and resolve their delinquent status. Every effort is made to reach a satisfactory repayment arrangement with a delinquent borrower in order to recover loan funds thereby reducing, limiting loan losses.

July 31, 1989 status of UDAG loans reported as delinquent by Comptroller at December 31, 1988:

2 bankruptcy filed at Law Department at December 31, 1988

1 in liquidation at Law Department

1 promissory note dispute; law advising how to proceed

1 loan terms require property transfer to City in lieu of first year's payment; terms and condition under review before final disposition is made

1 borrowers are delinquent on first mortgage; terms and conditions being renegotiated with FHA.

6

#### CITY OF CHICAGO, ILLINOIS

*U.S. Department of Housing and Urban Development (HUD)  
Urban Development Action Grants (UDAG)—CFDA No. 14.221  
City Department of Housing (DOH)  
Year Ended December 31, 1988*

#### Finding 1988—15

Federal compliance requirements (OMB Circular A-128) mandate that construction projects financed by Federal assistance must comply with the provisions of the Davis-Bacon Act.



DOH does not adequately document its review of UDAG contractor's payrolls for compliance with the Davis-Bacon Act. Of the twenty-five (25) payroll documents tested, none indicated evidence of such a review.

We recommend that the City establish procedures to determine compliance with the Davis-Bacon Act and adequately document this determination.

#### 1988 Grantee Response

The Contract Compliance unit has the responsibility for review of UDAG contractor's payrolls for compliance with the Davis-Bacon Act. Although the payrolls were reviewed by staff, there was no documentation of the review. In order to comply, procedures have been modified to include the staff's initials on all payrolls reviewed

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#### COUNTY OF NASSAU, NEW YORK

*Report on Compliance--  
Schedule of Findings and Questioned Costs (continued)*

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U.S. Department of Housing and Urban Development  
Community Development Block Grant (14.218)

#### Davis-Bacon Act

*Situation:* Certain forms were improperly excluded from the contract file. Of six files tested, four contracts did not have at least two employee interviews, two contracts did not contain a completed HUD 1421 (Contractor's Certification Concerning Labor Standards and Prevailing Wage Requirements) or HUD 1422 (for subcontractors), and two contracts did not contain the monthly Department of Labor Form.

*Recommendation:* We recommend that the County enforce the submission of these forms and/or procedures on a timely basis.

*Questioned Costs:* None.

*County's Response (Department of Housing and Intergovernmental Affairs):* The auditor has provided a listing of the six files tested. A staff person has been directed to contact the communities involved to obtain the missing items.

#### Rehabilitation Grants Compliance

*Situation:* During the testwork on Rehabilitation Grants, we noted several instances where certain forms were improperly excluded from the rehab file. Of the 89 files tested, 1 file contained a preliminary rehabilitation questionnaire that was unsigned, 4 files did not contain the Notice to Bidders, 4 files did not contain an estimate prepared by the County and 3 files did not contain the Periodic Inspection form which were required for all rehabilitation files completed after September 28, 1988.

*Recommendation:* We recommend that the rehabilitation files be reviewed for completeness prior to processing the claim for payment.

*Questioned Costs:* None.

*County's Response (Department of Housing and Intergovernmental Affairs):* The County obtained a listing of the subject files from the auditor. We were able to find the notice to bidder for two of the files, one missing periodic inspector, and one missing estimate. Our examination indicates that all of the subject files were done by one individual who has been retrained in the proper procedures.

#### Program Income

*Situation:\** The County does not have any formal procedures of monitoring the return of program income generated from the use of CDBG Funds to the CDBG Program. During 1988, [an independent

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\*Exception also noted in prior year.

firm was] contracted by the County to perform an internal limited audit to determine existing program income amounts and to develop a monitoring system.

*Recommendation:* We recommend that the Department of Housing and Urban Development apply the monitoring system suggested by [an independent firm].

*Questioned Costs:* None.

*County's Response (Department of Housing and Intergovernmental Affairs):* While the firm issued its formal report on May 1, 1989, we began implementing the monitoring system January 1989.

**Grantee Performance Report (GPR)**

*Situation:* Information gathered from the field representative's spread sheets for preparation of the GPR is typed by the department's secretarial staff and sent to a printer. After the report is printed, copies are sent to the Department of Housing and Urban Development (HUD) and to the field representatives. The field representatives proofread the report for errors and omissions subsequent to its submission.

We noted one instance in which an expenditure was improperly recorded on the GPR as \$1,633 when it should have been recorded as \$11,633. We also noted one instance where an expenditure was incorrectly calculated and posted to the GPR. Lastly, we noted two instances in which an amount was recorded as "Expended this Period" for year ended 1988 but actually related to the prior year end.

*Recommendation:* We recommend that procedures to verify the accuracy of data included in the GPR be performed. In addition, reconciliations of cash disbursement ledgers to subsidiary records should be performed.

*Questioned Costs:* None.

*County's Response (Department of Housing and Intergovernmental Affairs):* The Grantee Performance Report is based directly on the information contained in the cash disbursement ledgers. Our fiscal unit provides program staff with a monthly copy of the Chart of Accounts which is used to prepare the GPR. Program staff proofreads the report prior to and after typing. The County has recently received a computer system and software for GPR preparation which will be used for the 1990 GPR. This should reduce human error.

**COUNTY OF ROCKLAND, NEW YORK**

*Schedule of Findings and Questioned Costs  
With Auditees' Response for Corrective Action  
For the Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Auditee's Response</u>
● ● ● ●			
U.S. Department of Housing and Urban Development Direct Program: Community Development Block Grant 14.218 Prior Year	The County is still in the process of responding to the HUD audit report No. 88-NY-241-1005 for the period ending July 12, 1987.		We are still corresponding with HUD concerning the audit.

**CADDO PARISH COMMISSION, SHREVEPORT, LOUISIANA**

*Schedule of Findings and Questioned Costs (Single Audit)  
Year Ended December 31, 1988*

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
● ● ● ●		
Section 8 Housing Assistance Program	We noted two instances out of ten in which 1988 recertification forms could not be located. The September 1, 1988, Report on Program Utilization reported 95 units under lease to certificate holders. Internal records reflected 94 units under lease to certificate holders.	— —

BROWN COUNTY, WISCONSIN

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

Program	[Finding]	Questioned Costs
● ● ● ●		
Section 8 Housing Assistance Payments Program	<p><i>Compliance Requirement—Subgrantee Audit Report:</i> The Brown County Housing Authority, through its contract agency, the Housing Allowance Office of Brown County (HAO), administers the Section 8 existing housing certificate program for low-income renters. A recent audit report by the Department of Housing and Urban Development (HUD) of HAO's administration of this program indicated that HUD believes some HAO-established contract rents were in excess of program regulations. HUD has recommended to the Housing Authority that tenants who were overcharged contract rents in excess of program regulations be refunded the excess over the regulation amount. A preliminary estimate of this liability by Housing Authority representatives is approximately \$150,000.</p> <p><i>Recommendation:</i> We recommend that Housing Authority and HUD representatives meet to resolve this matter as expeditiously as possible.</p> <p><i>County's Response:</i> The Housing Authority disputes HUD's interpretation and findings regarding this program. The Housing Authority intends to vigorously resist the effort to require refunds to renters under this program.</p>	

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HILLSBOROUGH COUNTY, FLORIDA

*Schedule of Findings and Questioned Costs (continued)*

Program	Finding/Noncompliance	Questioned Costs
● ● ● ●		
Section 8 Housing (14.156)	<p>10. During our review of 30 client files, we noted that on one occasion the utility allowance was incorrectly calculated. In addition, a clerical error caused an overpayment of utility costs. There are no questioned costs as a result of the above because the County subsequently corrected the errors and retroactively adjusted the payments.</p> <p style="padding-left: 40px;">We recommend that program personnel carefully prepare and compute housing assistance payments in order to avoid situations of overpayment.</p> <p>11. During our review of the subrecipients, it was noted that the CDBG Coordinator at Plant City was not spending 100 percent of his time on CDBG activities. This is a violation of OMB Circular A-87, Attachment B, Section B, Subsection</p>	<p>—</p> <p>\$2,520</p>

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
	<p>10b, which requires that time distribution reports be maintained by those employees working on non-CDBG activities.</p> <p>We recommend that appropriate time distribution reports be maintained by all CDBG personnel. The amount of salaries for which reimbursement is requested should reflect only the equitable portion of the employee's time that was spent on CDBG activities.</p>	
	<p>12. During our review of the Grantee Performance Report (GPR) it was noted that \$3,635 was included as part of the amount reported as Relocation—Displacement/Replacement (Communitywide) under activity number 1.20. This expenditure was for temporary relocation and should have been included as part of activity 1.12.</p> <p>Rehabilitation and replacement are two distinct activities and should be reported as such. Careful review of the GPR, and the supporting schedules used to prepare the report will improve the accuracy and reliability of the GPR.</p>	—
		<u>\$2,520</u>

● ● ● ●

MONTGOMERY COUNTY, MARYLAND

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

New Findings for Fiscal Year 1989

<u>Funding Source</u>	<u>Findings</u>
	● ● ● ●
Department of Housing and Urban Development (HUD)—Community Development Block Grant	The terms of this program require that the grantee file a Grantee Performance Report to HUD on an annual basis. This report summarizes the grant activity and program generated income for the year. We noted upon examination of this report that the total grant award and program income reported were incorrect. The net effect of these errors was to understate revenue reported on the Grantee Performance Report by \$4,255.

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COUNTY OF MONTGOMERY, PENNSYLVANIA

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1989  
And Current Status of Prior-Year Findings*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
	● ● ● ●	

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Community Development Block Grant (14.218) (continued)	<p>10. <i>1988 Finding:</i> Federal regulations allow the allocation of salary and fringe benefit costs to specific HUD-funded projects provided that the related individuals have devoted their time to the project being charged. During 1988 all salaries and fringe benefit costs for nonadministrative Department personnel were charged to one project, #86-301 Home Rehabilitation Program. Some of these costs should have been charged to other projects. However, since detailed time records are not kept by these employees, the entire amount of nonadministrative salary and fringe benefit costs is considered to be a questioned cost. Total administrative costs charged to project #86-301 during 1988 were approximately \$264,000.</p> <p><i>1988 Grantee Response:</i> The County maintains adequate employee control and accountability to charge nonadministration employees' salaries and fringe benefits to one account. This account is the control account for all home rehabilitation activity.</p>	\$264,000
	<p>11. <i>1988 Finding:</i> The County Home Improvement Program (CHIP) and the Pottstown Targeted Program were established with CDBG funds. A two-year agreement was made between the County and a bank for the administration of program funds. This agreement expired on June 30, 1988, at which time excess funds were to be returned to the U.S. Department of Housing and Urban Development (HUD). As of December 31, 1988, these programs continued to operate despite the absence of a formal agreement with the bank and approval of HUD. We recommend that the County resolve the issue as to whether it can continue to operate the programs without a formal agreement.</p> <p><i>1988 Grantee Response:</i> Excess funds from these programs were returned to the U.S. Department of Housing and Urban Development on August 18, 1989.</p>	None
	<p>12. <i>1988 Finding:</i> U.S. Department of Housing and Urban Development financial management regulations require that funds be sent within 3 business days from the date they are received. In 2 out of 7 drawdowns tested, funds were not spent within the required time limit. In one instance, a drawdown was requested and received twice because of miscommunication with the bank. These funds were not spent until approximately one month after their receipt.</p> <p><i>1988 Grantee Response:</i> We felt that it was more prudent to retain funds drawn down rather than risk possible impairment of subsequent federal allocations.</p>	\$40,654.37
	<p>13. <i>1988 Finding:</i> U.S. Department of Housing and Urban Development regulations require that available funds be applied against cash needs when requesting a drawdown of federal funds. The County does not maintain adequate</p>	\$1,128

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
	documentation to support available funds applied to each drawdown. It was also noted during our testing that funds made available because of voided checks that were not reissued were not being used to reduce the amount of federal drawdowns. It appears that \$1,128 of unapplied available funds at December 31, 1988, are questioned costs. <i>1988 Grantee Response:</i> We believe that this was an isolated instance; future drawdowns will be monitored more carefully to ensure compliance with HUD guidelines.	
	14. <i>1988 Finding:</i> The County has established a system of internal controls over cash disbursements of federal funds. In one out of twenty cancelled checks tested, we noted that a co-payee's name had been "whited-out" and changed. The corrected co-payee's name agreed with the supporting documentation. We recommend that the County prohibit alteration of checks. Checks with errors should be voided and redrawn. <i>1988 Grantee Response:</i> Agreed. Checks with errors will be voided and redrawn.	None



COUNTY OF SANTA CLARA [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989 (continued)*

1989 Findings:

U.S. Department of Housing and Urban Development  
CFDA No. 14.218—Community Development Block Grant—  
Grant No. B-88-UC-06-007

Total Questioned Costs—None.

Compliance Finding

*Questioned Costs:* None.

1. *Finding:* Housing and Community Development received a one-month extension to submit the Grantee Performance Report for fiscal year 1989 to HUD (the Department of Housing and Urban Development). This report was not signed by the County Executive until after October 30, 1989, which was after the extended due date. As such, the Grantee Performance Report was not submitted in a timely manner.

The Grantee Performance Report should be submitted in a timely manner. Personnel responsible for filing the report should allow an adequate amount of time for staff review and for the County Executive to review and sign the report.

*Management Response:* The County Housing and Community Development Program has received an extension on the due date of its FY88-89 Grantee Performance Report until October 30, 1989. During the staff's final review of the GPR, several mistakes and inconsistencies were discovered. County staff contacted the area HUD office and the program representative indicated that it would be acceptable for the County to mail the report on November 3, 1989. The report was mailed on that date.

**DEPARTMENT OF JUSTICE**

GREENE COUNTY, MISSOURI

*Schedule of Findings and Questioned Costs  
Year Ended December 31, 1988*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
U.S. Justice Department.	This program must file quarterly "Report of Expenditures" with the Missouri Department of Public Safety. The report	—

*Schedule of Findings and Questioned Costs (continued)*

Program	Findings/Noncompliance	Questioned Costs
Passed through Missouri Department of Public Safety, State and Local Narcotics Assistance.	for the quarter ended December 31, 1988, was due on January 10, 1989, and was not filed by the due date.  Plan of Action: The county filed the report on February 6, 1989.	

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COUNTY OF SANTA CLARA [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

1989 Findings:

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U.S. Department of Justice

CFDA No. 16.540—Juvenile Justice and Delinquency Prevention—Allocation to States  
Grant No. JJ88A10430-00 and JJ87020430-00

Total Questioned Costs—Unknown.

Compliance Finding

*Questioned Costs:* Unknown.

1. *Finding:* Funding for all Juvenile Justice and Delinquency Prevention programs is passed through the State Office of Criminal Justice Planning (OCJP). Payments by OCJP were not consistently made to the same payee. Most payments are made directly to the County while several other payments were made directly to subrecipients of the County. All subrecipient claims are filed with the County and are reimbursed by the County's general fund. We noted that two subrecipient organizations received payments from both the general fund and the State OCJP office for the same claim forms (Form 201) and did not refund the duplicate payments to the County. The identified excess payments of County funds made to these two organizations totalled \$26,079 for the fiscal year ended June 30, 1989.

The County should investigate any activity relating to prior years and to other programs associated with the two organizations receiving duplicate payments and develop a plan to obtain a refund of all excess payments made. To prevent this error from occurring in the future, all payments made to subgrantees and all receipts from the State OCJP should be reconciled to all claim forms (201's) filed by the subrecipients. Any differences and/or any missing payments not received by the County from the State OCJP should be investigated in a timely manner.

*Management Response:* The County has notified both organizations receiving duplicate payments to make arrangements for repayment. One organization has paid back the entire amount owed. The County has arranged for the other organization to repay their debt by June 30, 1990. Payments made to these organizations and expenditure claims (Form 201) completed in fiscal 1988 have been reviewed. No additional duplicate payments were noted.

Since County OCJP grant management has changed in May 1989, procedures have been implemented to prevent this error from recurring in the future. Payments to subrecipients and receipts from OCJP are reconciled on a regular basis to the 201 claim forms filed by the subrecipients. Any discrepancies identified or payments not received by the County from OCJP shall be investigated immediately.

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**DEPARTMENT OF LABOR**

COUNTY OF SANTA CLARA [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

1989 Findings:

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U.S. Department of Labor

CFDA No. 17.250—Job Training Partnership Act

Grant No. Not Applicable

Total Questioned Costs—None.

Compliance Finding

*Questioned Costs: None.*

1. *Finding:* Under the Single Audit Act, the primary recipient of federal funding is responsible for determining that the expenditures of federal monies passed through to subrecipients are utilized in accordance with applicable laws and regulations. Upon review of audit reports for three subrecipients—San Jose Chamber of Commerce, Casa Libre Project and San Jose Medical Center—it appears that the audits do not fulfill the Office of Management and Budget requirements for A-110 audits.

As the primary recipient of federal JTPA funding, it is the County's responsibility to take corrective action in one of two ways:

Require these subrecipients to have an independent audit of JTPA funding and related expenditures.

Perform appropriate procedures by the County's internal audit or program management personnel.

*Management Response:* In order to come into compliance with the requirements of the Single Audit Act, the Social Service Agency is in the process of developing procedures that will require subrecipients to have an independent audit that complies with OMB Circular A-110 audit requirements.

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MUNICIPALITY OF ANCHORAGE, ALASKA

*Federal Financial Assistance Reports*

*Schedule of Findings and Questioned Costs*

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Job Training Partnership Act (JTPA)

Grant Nos. EN2172195, EN2182047, EN2182078, EN2182220, EN2182179,  
EN2192003, and EN2192105

*Finding:* The administrative policies issued by the state JTPA office require grant recipients to provide monthly financial reports on a timely basis. For these contracts not all monthly financial reports were filed.

*Questioned Costs: None.*

*Municipality Response:* The Municipality and the State of Alaska have agreed to have monthly financial reports based on the accounting records maintained by the Department of Health and Human Services. This will eliminate the need for reliance on computer-generated reports from the Municipality's Financial Information System. This new procedure will greatly improve the responsiveness of the monthly reports to the state. This procedure became effective with the JTPA grants starting July 1, 1989.



CITY AND COUNTY OF HONOLULU, HAWAII

*Current Year's Findings of Noncompliance and Questioned Costs  
For the Fiscal Year Ended June 30, 1989*



<u>Program</u>	<u>Findings of Noncompliance</u>	<u>Questioned Cost</u>
Job Training Partnership Act (JTPA)	<p>Applications</p> <p><i>Finding:</i> Applications were not always signed by applicants.</p> <p><i>Background:</i> To certify that all information on the application is true and accurate, the applicant is required to sign the application.</p> <p><i>Recommendation:</i> Establish procedures to ensure that applicants sign the application.</p> <p><i>Administration's Comments:</i> We do have a system of review in place to assure that applicants do sign the applications. Both the interviewer and the Senior Employment Development Section Clerk review the applications for signatures. The application that was missing a signature was an oversight. We will be more careful in the future.</p>	N/A
	<p>Financial Status Report</p> <p><i>Finding:</i> The July 1988 monthly financial status report was not submitted on a timely basis.</p> <p><i>Background:</i> As stated in the <i>Department of Labor—JTPA Financial Management Manual</i>, the monthly status report must be submitted by the City to the State DOL by the 25th of the following month. The July 1988 report was submitted on August 29, 1988.</p> <p><i>Recommendation:</i> Ensure the timely preparation and submission of the financial status report.</p> <p><i>Administration's Comments:</i> The July 1988, monthly financial status report was submitted late since we were in the process of automating. Both manual and automated books were produced for July 1988. We were still in the testing stage of automation. The reports are being submitted on a timely basis now.</p>	N/A



LANSING SCHOOL DISTRICT [MICHIGAN]

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
U.S. Department of Labor Passed through the Lansing Tri-County Employment Partnership, Youth Incentive Program, CFDA #17.246.50, Grantor #8155, #9155 and #8157	<p>From a sample of twenty-five participant files examined, the following errors or irregularities (and incidence of occurrence) were discovered:</p> <p>Five review and verification forms incomplete.</p>	None

*Recommendation:* Administrators and staff personnel should review all files to ensure that all applicable forms, files and applications are complete and contain correct information.

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
U.S. Department of Labor Passed through the Lansing Tri-County Employment Partnership, Youth Incentive Program, CFDA #17.246.50, Grantor #8155, #9155 and #8157.	From a sample of seven participants' timesheets examined, it was noted that none of the seven timesheets were signed by the participant, as required by the terms of the grant contract.	None

*Recommendation:* Administrators and staff personnel should review all timesheets to ensure they are signed by participants before being forwarded to payroll. Administrators should also stress to the participants the importance of signing timesheets.



CITY OF PITTSBURGH, PENNSYLVANIA  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 1988*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
JTPA CFDA # 17.250	<p><i>Finding No. 1:</i> Cash balances. JTPA maintained excess cash balances during November 1988. Regulations require that cash on hand be limited to what is needed for the next day's expenditures.</p> <p><i>City's Response:</i> The City agrees that JTPA maintained an excess average daily cash supply during November 1988. This excess supply was due to an unusual situation involving the receipt of approximately \$409,000 drawdown from the State to pay an invoice for the School District summer program. It took about ten days for the Comptroller's Office to recognize that the drawdown had been received by the bank. As a result we could not pay this invoice until the Comptroller's Office had included this cash in our balance. However, overall, beginning with January 1988 through September 1989, the average daily cash supply was minus [\$]11.3472, indicating a timely drawing and payment of funds.</p> <p><i>Finding No. 2:</i> Actual expenditures within two-year cycle compared to allocation. PA Department of Labor requires that at least 70% of all allocated expenditures be used for training. Adult/Youth Program (7-1-87 to 6-30-88) used only 66.8% of its allocated funds for training.</p> <p><i>City's Response:</i> The City agrees with this finding. The shortfall in this area was caused by not expending all available dollars. All the funds were programmed but not expended by our program contractors.</p> <p>It is very difficult to guarantee that all available funds will be expended (even the funds in a contract) within the program year since we use a large number of performance contracts. This means that expenditures cannot be calculated until a contract is over, and all performance events have been taken into account. Because several contracts do not end until late in the program year, it is often impossible to reprogram unspent funds by the end of a given program year.</p>	<p>*</p> <p>*</p>

\*Amount of questioned cost is either nominal or not ascertainable.

Schedule of Findings and Questioned Costs (continued)

Program	Findings/Noncompliance	Questioned Costs
	<p>According to section 11-A, revised January 1987, of the State Policies and Procedures Manual, "The U.S. Department of Labor has established that the period in which an SDA is to be evaluated for compliance with the minimum/maximum cost limitations outlined in sections 108 and 203 of the Act, is the two-year planning cycle." This period started July 1, 1986, and ended June 30, 1988. The percentage of allocated funds used for training, for the above period, was 56.53%. However, during this same period approximately \$4,429,839 of total 11-A Adult/Youth expenditures of \$6,053,406 (73.18%) was spent on training.</p>	
	<p><i>Finding No. 3:</i> Actual expenditures within two-year cycle compared to allocation. PA Department of Labor requires that at least 70% of all allocated expenditures be used for training. State Education Grant (7-1-87 to 6-30-88) used only 53.77% of its allocated funds for training.</p>	*
	<p><i>City's Response:</i> The City agrees with this finding. Shortfalls in this area were caused by not expending all available dollars programmed but not expended by our program contractors. It is very difficult to guarantee that all available funds will be expended (even the funds in a contract) within the program year since we use a large number of performance contracts. This means that expenditures cannot be calculated until a contract is over, and all performance events have been taken into account. Because several contracts do not end until late in the program year, it is often impossible to reprogram unspent funds by the end of a given program year.</p>	
	<p><i>Finding No. 4:</i> Actual expenditures within two-year cycle compared to allocation. State Education Grant (SEG) Cooperative Agreement Guidelines require that not less than 75% of program funds be used for contracts with local public education agencies. The 1988 SEG program used only 58.2% of its program funds for this purpose.</p>	*
	<p><i>City's Response:</i> The City agrees with this finding. A modification was made on February 19, 1988, to the City of Pittsburgh's Cooperative Agreement (July 1, 1987-June 30, 1988) to include a SEG award grant of \$360,000 bringing the City's total SEG funds to \$913,736. The State contract which permitted us to expend the additional funds was not executed until June 10, 1988. These funds were received late in the fiscal year and many of the LEA contractors could not spend all available funds in their agreements. For example, our Second Chance Program with the Pittsburgh School District was for \$114,660 but the amount actually expended was \$37,128. However, our original allocation (prior to receipt of the additional \$360,000) was \$553,736 of which \$451,760 (81.58%) was expended on local education agencies.</p>	
	<p><i>Finding No. 5:</i> Bonding requirements. According to PA Department of Labor requirements, bonding coverage must be the higher of: (1) \$100,000 or (2) an amount equal to the highest advance received through check or drawdown during</p>	*

\* Amount of questioned cost is either nominal or not ascertainable.

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
	<p>the immediately preceding grant year or planned for the present grant year. The bonding amount equals \$250,000 but there was a \$282,400 drawdown requested on January 26, 1988, that exceeded the bonding amount.</p> <p><i>City's Response:</i> The City agrees with your finding. However, during 1989 no drawdowns have exceeded \$250,000.</p>	

DELAWARE COUNTY, NEW YORK

*Schedule of Findings and Questioned Costs  
Year Ended December 31, 1988*

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<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
Department of Labor Job Training Partnership Act	<p>The County did not meet the requirement that 40% of its Title IIA 78% allocation be spent on youth programs for the 1984-1985 biennial period.</p> <p>We recommend that the County take appropriate steps to monitor expenditures in order to ensure compliance with State and Federal requirements.</p> <p>The Monthly Expenditure Report and Monthly Cash Order Forms for February, May, June and July of 1988, and the Monthly Statement of Daily Cash Transactions and Monthly Summary of Cash for May, June and July of 1988, were submitted after the required 15th day of the following month.</p> <p>We recommend that the County take the appropriate steps to ensure that all Monthly Reports be submitted on a timely basis.</p>	

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ARLINGTON COUNTY, VIRGINIA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

<u>Funding Source</u>	<u>Findings</u>	<u>Potential Reimbursement Effect Over (Under)</u>	<u>Management Response</u>
Department of Labor	<p><i>JTPA Program</i></p> <p>The SDA stated in its Master Plan that provisions regarding restrictions on political activities as stated in the GETD Management requirements are presented to program participants in written form as part of the Intake/orientation process to be agreed upon and signed by the participant. This is not being practiced.</p>	*	This practice will be reinstated during fiscal year 1990.

\*The reimbursement effect is either nominal, not reimbursable or not ascertainable.

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GENESEE COUNTY, MICHIGAN

*Schedule of Findings and Questioned Costs*

Program	Finding/Noncompliance	Questioned Costs
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Job Training Partnership Act CFDA 17.246-50 Subrecipient-- Genesee County Community Action Agency 6% Contract #86-T-24 with Jobs Central, Inc.	Reports were filed with Jobs Central, Inc. (the Local Disbursing Agent) requesting funds based on purchase orders for supportive services projected to be incurred by GCCAA at a future date. However, the grant reports should have been prepared based on actual expenditures incurred. As a result, the cash funds which were held by GCCAA were required to be repaid to Jobs Central, Inc. The repayment occurred on April 12, 1989.	\$18,404
JTPA Title II CFDA 17.250	The following findings/noncompliances were disclosed as part of a single audit made of the County's major subrecipient, Jobs Central, Inc. for the year ended December 31, 1988:	
	Of forty-two participants examined, three participants' files could not be located and four participants' files were incomplete.	\$ 3,578
	One onsite report could not be located.	—
	Of twenty-five participant files examined, five of the participants' files maintained by the subcontractor did not contain the determination and certification of eligibility of the participant.	—
	One report submitted for reimbursement of wages paid to participants in the Limited Work Experience program contained an amount reported for the year-to-date reimbursement received which was in error. However, no additional funds were received because of this error.	—
	Payment for job retention was claimed based on properly completed verification of employment forms signed by an employer. However, additional information obtained from the employer's payroll records disputed the original employment verification form. Job placement for two individuals did not qualify for job retention.	\$ 476
	<i>County Response</i> --The County, as grant recipient, has instructed Job Central, Inc., to set up procedures to ensure that proper participant files and documentation are maintained to support activities.	

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CITY OF SHREVEPORT, LOUISIANA

*Schedule of Findings and Questioned Costs (Single Audit)  
Year Ended December 31, 1988*

Program	Findings	Questioned Costs
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<u>Program</u>	<u>Findings</u>	<u>Questioned Costs</u>
Job Training Partnership Act	<p>7. Of all contracts with subrecipients examined during our fieldwork, none greater than \$25,000 had been subjected to either single audit procedures as prescribed by OMB Circular A-128 or other acceptable audit procedures performed by an Independent Certified Public Accountant.</p> <p><i>Management Response:</i> We concur. Arrangements will be made to ensure that contracts with subrecipients which are greater than \$25,000 are subjected to audit procedures prescribed by OMB Circular A-128.</p> <p>8. We noted that of 25 subrecipient contracts examined, 11 showed no evidence of being monitored for compliance with program requirements (see prior year comment 8).</p> <p><i>Management Response:</i> We concur. Greater effort will be expended to ensure that subrecipient contracts are monitored for compliance with program requirements.</p> <p>9. For one participant file examined, a "complaints/grievances guidelines" sheet was not signed by the participant signifying that he or she had been informed of procedures and the place for reporting complaints and grievances.</p> <p><i>Management Response:</i> The "complaint grievance guidelines" sheet was apparently overlooked. If the participant is still active in the program, a signature will be obtained.</p>	<p>—</p> <p>—</p> <p>—</p>

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CITY OF OMAHA, NEBRASKA  
*Schedule of Findings and Questioned Costs*  
*Year Ended December 31, 1988*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
Job Training Partnership Act and CDBG	<p>Of the eleven subrecipients who received more than \$25,000 of support during 1988 passed through the City, ten were selected for testing. The City is awaiting an audit in accordance with OMB A-128 or A-110 on one of those subrecipients. Additionally, two of the audits were not in compliance with A-128 or A-110. The City has reviewed these subrecipients' expenditures for allowability through program management's monitoring and review of subrecipient financial records. Additionally, one of the subrecipient reports lists questioned costs of \$7,011. The City is in the process of following up on this report.</p>	\$7,011

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COUNTY OF ORANGE, NEW YORK

*Schedule of Findings and Questioned Costs With Auditees' Response for Corrective Action  
For the Year Ended December 31, 1988*



<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Auditee's Response</u>
U.S. Department of Labor Indirect Program— Passed through New York State Department of Labor: Job Partnership Training Act 17.250	It is a requirement that the required monthly reports be filed within specific time frames. Our sample revealed that the reports are filed each month but from one to two weeks late.		We will correct this in the future.



CITY OF DALLAS, TEXAS

*Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1988*



[Program: Job Training Partnership Act (CFDA #17.250)]

[Ed. Note: In the original schedule, the name of the program grantor was presented as a separate column.]

<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Recommendations for Corrective Action</u>	<u>Management Response</u>
1) From a sample of 50 disbursements charged to the JTPA programs, one disbursement for copy machine rental represented a duplicate payment made due to duplicate original invoices received from the vendor.	\$ 422	The City should request reimbursement from the vendor and refund the Texas Department of Commerce for the duplicate payments.	Management concurs with the recommendation and reimbursement of funds will be submitted to the Texas Department of Commerce.
2) From a sample of 50 disbursements charged to the JTPA programs, two disbursements were made to program participants for child care services after the participants had terminated the program.	\$ 443	The costs are not allowable under the grant agreement, and should be refunded to the Texas Department of Commerce.	Management concurs with the recommendation and reimbursement of funds will be submitted to the Texas Department of Commerce.
3) From a sample of 50 disbursements charged to the JTPA grants, one disbursement reimbursed state unemployment benefits was incorrectly charged to the JTPA grants due to a coding error.	\$5,648	The costs should be refunded to the Texas Department of Commerce.	Management concurs with the recommendation and reimbursement of funds will be submitted to the Texas Department of Commerce.

<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>	<u>Recommendations for Corrective Action</u>	<u>Management Response</u>
4) From a sample of 50 disbursements charged to the JTPA programs, one disbursement for temporary services in the amount of \$3,244 was incorrectly charged to the JTPA Title II-A program instead of the Summer Youth Title II-B program.	\$ —	Expenditures reported under the two programs should be corrected to properly reflect the disbursement.	Management concurs with the recommendation and a journal entry has been prepared to properly classify the disbursements in the appropriate grant year.
5) From a sample of 50 disbursements charged to the JTPA programs, one disbursement for paid time off was not properly supported by an attendance record.	\$ 189	Since the expenditure is not supported, the costs should be refunded to the Texas Department of Commerce.	Management concurs with the recommendation and reimbursement of funds will be submitted to the Texas Department of Commerce.
6) An audit of Total Office Automation Solutions, Inc., a subrecipient under Title II-B Summer Youth Employment Program for the period May 1, 1986, through September 30, 1986, resulted in \$7,100 of costs advanced to subrecipient being questioned.	\$7,100	The City should request a refund from the subrecipient for the questioned cost and should reimburse the amount to the Texas Department of Commerce.	Management concurs with the recommendation and has initiated an attempt to recover these funds from the subrecipient.
7) Thirty-eight of the City's subrecipients of JTPA funds have audits outstanding for program years 1985 through 1988. Many of the audits are past due. The City auditor is scheduled to complete all of the audits within the next fiscal year.	\$ —	The City should insure that the subrecipient audits are completed within the next year and should resolve any questioned costs results.	Management concurs with the recommendation. The City auditor's office is in the process of performing the close-out audits of all JTPA subrecipients.

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ADAMS COUNTY [COLORADO]

*Schedule of Findings  
For the Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
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Program	Finding/Noncompliance	Questioned Cost
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Regarding the findings in the other two cases, we believe the auditors were in error when stating that our documentation was inadequate for the following reasons.

The file in question as to not having documentation for the program enrolled into did have a Summer Youth enrollment form in it.

One client was reported as not having documentation of being a Foster Child for eligibility purposes. This client was 18 years of age at the time of application. She was determined eligible based on her status as a foster child even though she was not a foster child. She was determined eligible based on her status as a high risk youth according to JTPA Letter 86-03: she was a potential dropout. The file includes a copy of her referral from Aurora Public Schools which was completed by her counselor. Due to eligibility having been determined based on high risk youth, there was no need for documenting foster child status.

The audit findings stated that another file lacked documentation of previous hours of work experience. The proper documents were in this client's file indicating that he had been enrolled in a work experience. Also included were his time cards and the work experience agreement.

Communication between the auditors and the director of the department will be improved next year.

*Inadequate Control Over JTPA Checks Returned by the Post Office:* JTPA payroll checks returned by the Post Office are received by the County Finance Office. The checks are not voided or kept in a locked area. After several checks are received, they are sent to the Employment Center where an attempt is made to locate the recipient.

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Misappropriations could occur due to the lack of controls over these checks. In addition, if the checks are not voided and recorded as such, federal funds are not properly reimbursed. As checks are received by the Finance Office, they should be voided prior to their return to the Employment Center.

This control weakness resulted from a lack of standard procedures over returned checks.

*Response:* Upon receipt of returned checks from the Post Office, the Finance Department payroll personnel will secure the checks in a locked vault. They will then notify the Adams County Employment Fiscal staff. The Fiscal staff will attempt to locate the recipient by phone and by mail to obtain a correct mailing address so the check can either be forwarded or picked up by the client from the Payroll Office. If the check has not been claimed within 30 days, it will be voided.

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CITY OF CLEVELAND [OHIO]

*Schedule of Findings*

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Job Training Partnership Act Grants:  
Failure to Submit Monthly Expense Reports on a Timely Basis

*Finding:* The grantee did not submit the JTPA Monthly Expense Reports on a timely basis (10 working days after the end of the reporting period).

*Recommendation:* We recommend that the City review their procedures for preparing and submitting the JTPA Monthly Expense Reports and develop policies and procedures that will reduce the amount of time that would be required to submit the report in a timely manner.

*Grantee's Response:* We concur with this finding. We are reviewing currently our procedures for preparing and submitting JTPA Expense Reports to reduce the time required to prepare and submit these reports in a timely fashion.

**Inaccurate Interim Monthly Reports**

*Finding:* In error, the grantee overreported expenses on the January 1988 and April 1988 Monthly Expense Report for the Title IIA-78% by \$148,791.57 and \$418,365.74, respectively.

1. The following differences were noted on the January 1988 Expense Report:
  - a. The \$4,241,317.00 reported per the January Expense Report was misstated by \$188,302.88 (expenses were overreported) due to erroneously prepared supporting schedules;
  - b. The grantee was unable to identify \$39,511.31 that remains unreconciled, which would lower the total amount of overreported expenses to \$148,791.57 from \$188,302.88; and
  - c. No formal reconciliations are performed between FAMIS Report No. 34—General Ledger accounts #001 (cash) and #431 (expenditures), and the JTPA Monthly Expense Report.
2. The following differences were noted on the April 1988 Expense Report:
  - a. The \$6,557,046 reported per the April 1988 Expense Report was misstated by \$418,365.74 (expenses were overreported) due to an unreconciled difference between FAMIS Report No. 34—General Ledger accounts #001 (cash) and #431 (expenditures), and the JTPA Monthly Expense Report.
  - b. No formal reconciliations are performed between FAMIS Report No. 34—General Ledger accounts #001 (cash) and #431 (expenditures), and the JTPA Monthly Expense Report.

*Recommendation:* To ensure such differences are detected on a timely basis, we recommend that the grantee review their procedures for preparing the JTPA Monthly Expense Report and develop policies and procedures that will enable the grantee to submit accurate reports. Such procedures should include a formal reconciliation between FAMIS Report No. 34—General Ledger accounts #001 (cash) and #431 (expenditures), and the JTPA Monthly Expense Report.

*Grantee's Response:* Under the current procedures for reporting monthly expense report information, all cash disbursements or receipts reported to a grantor agency are reconciled with FAMIS Report No. 34, account #001 on a monthly basis. Monthly Expense Reports primarily identify accrued expenses. However, encumbrances are established once the invoice is received by the finance section for posting and at the same time the voucher payables are also established; thus, the accrued expenses do not appear in FAMIS on a timely basis. Reconciling FAMIS Report No. 34, accounts #001 and #431 to the Expense Report on a monthly basis would be time consuming and would not be cost effective. The program expenses are reconciled at year-end with the "Closeout" package, where expenses equal the cash disbursements less adjustments for refunds.

Improved procedures are in place to detect reporting errors. Most errors were due to difficulty with the software programs which generate the financial reports. These problems have been rectified.



HARRIS COUNTY, TEXAS

*Schedule of Findings  
For the Year Ended February 28, 1989*

Program	Finding/Noncompliance	Questioned Costs
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<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Job Training Partnership Act	<p>Although Private Industry Council has procedures in place to review the eligibility of participants, an individual in the Job Training Partnership Act Title IIB Summer program was found ineligible by the Management Information Systems department. Per review of client documents, the JTPA program was never refunded the participant's entrance fees.</p> <p>Although the County has grant close-out procedures in place, the procedural step to refund excess cash is not being followed on a consistent basis. The following Job Training Partnership Act programs' close-out reports have been submitted before the year ended February 28, 1989; however, these programs maintained grant-award cash in their account at February 28, 1989.</p>	\$ 3,150
	<u>Grantor's Number</u>	
	Title IIB	00052100785 \$ 42,864
	Title IIA	00005210286 129,856
	Title IIA	00052100287 3,698
	Title IIA	028011 102,640

## DEPARTMENT OF TRANSPORTATION

### MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY [MASSACHUSETTS]

#### *Findings and Questioned Costs*

*Federal Agency:* U.S. Department of Transportation.

*Grant Award Number:* MA-90X040/0041.

*Program:* Garage Construction and Office Renovation.

*Finding:* As part of our audit procedures we tested the Authority's system for compliance with the regulations of the Davis-Bacon Act. The Act requires that laborers and mechanics who work on construction projects that are funded with Federal funds be paid the prevailing wage as determined by the United States Department of Labor. It was determined that the Authority did not maintain a system sufficient to monitor the requirements of the Act. Specifically, certified payrolls were not checked against the prevailing wage schedules and payments to individuals were not monitored to determine that those payments were in fact made. Our office made an inspection of the aforementioned items at the contractor's office and determined that the contractor was adhering to the principles of the Act.

*Recommendation:* The Authority should establish more defined procedures to monitor the enforcement of the Act's regulations. Those procedures would include documenting the verification of approved certified payrolls against the prevailing wage table. The Authority should also consider sending a representative to the contractor's corporate office to examine cancelled checks to in fact determine that the listed wages have in fact been paid. As an alternative a representative of the Authority could document conversations with the contractor's employees at the site to find out if they are being paid in accordance with the certified payrolls.

*Grantee Response:* The Authority will set up a procedure to monitor the payrolls of contractors to insure compliance with the requirements of the Act.

*Federal Agency:* U.S. Department of Transportation.

*Grant Award Number:* Various.

*Program:* Capital and Operating Assistance Grants.

*Finding:* On August 16, 1989, the Authority was in receipt of a Letter of Findings as regards a triennial review performed by the Urban Mass Transportation Administration (UMTA). The letter comments on four specific instances of noncompliance. They relate to excess property, reduced fares for Medicare eligible individuals, missing information in public notices and revisions or additions to its Civil Rights Plan.

*Recommendation:* The Authority should respond positively to the findings made by UMTA and take corrective action to resolve the issues involved.

*Grantee Response:* A response is being prepared to the Triennial Review letter in which a new spare ratio for buses will be determined and excess buses will be offered for sale; a notice concerning reduced fare for Medicare card holders has been prepared; a revised public notice for the Program of Projects is being prepared and revisions to the Title VI Plan are underway. The Authority expects to fully comply with the requirements of the Triennial Review letter.

BOONE COUNTY, MISSOURI

*Schedule of Findings of Noncompliance  
For the Year Ended December 31, 1988*

*Funding Source:* Department of Transportation

*Award Program:* 55 MPH Compliance

*County Administering Department:* Sheriff's Department

*Finding No. 1:* OMB A-102, Attachment H requires requests for reimbursements to be submitted on a timely basis. We were unable to substantiate that the County's administrator for Project 55 submitted the monthly requests for reimbursement prior to year-end, at which time the administrator submitted all the monthly requests for reimbursement to the federal agency.

*Management Response:* The requests for reimbursement were submitted monthly, but the County had not received their reimbursement. Near year-end, the County contacted the federal agency about the reimbursement. The federal agency found no record of having received the requests for reimbursement, therefore, additional copies of the requests for reimbursement were sent. The County received reimbursement in 1989.



MONTGOMERY COUNTY, MARYLAND

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

Findings Repeated From Prior Year

Funding Source	Findings
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Department of Transportation—  
Mass Transit

Under the requirements of the Single Audit Act of 1984, if a primary recipient receives federal assistance and provides \$25,000 or more of such assistance to a subrecipient in a fiscal year, the primary recipient is responsible for determining that the expenditures of federal monies passed through to subrecipients are utilized in accordance with applicable laws and regulations. The primary recipient is responsible for reviewing audit and other reports submitted by subrecipients, identifying questioned costs and other findings pertaining to federal financial assistance passed through to the subrecipient, properly accounting for and pursuing resolution of questioned costs, and ensuring that prompt and appropriate corrective action is taken on instances of material noncompliance with laws and regulations. We noted that the County does not perform the monitoring procedures outlined above for one subrecipient, which received approximately \$2.6 million of federal pass-through funds from the County in fiscal year 1989.

CITY OF LINCOLN, NEBRASKA

*Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 1988*

Program	Findings/Noncompliance	Questioned Costs
Urban Mass Transit Administration (UMTA)	Of the 19 transactions tested for compliance with applicable laws and regulations, one exception was noted. The City did not comply regularly with UMTA Regulation C5010.1A 9a(3), requiring deposits to a self-insurance fund to be reasonable and actuarially sound. The amount charged to the fund appears reasonable; however, no actuarial valuation was performed to support the amount charged to the Lincoln Transportation System for Fiscal Year 1988. An actuarial evaluation has been received by the City as of the date of this report, which would tend to support the amounts charged to the fund.	\$263,242

THE CITY OF OKLAHOMA CITY, OKLAHOMA

*Schedule of Current-Year Findings and Questioned Costs*

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Urban Mass Transportation Administration (UMTA)  
Compliance With Charter Service Requirements

*Finding:* During the current audit year, a COTPA bus was destroyed by fire. COTPA does not carry insurance on the buses to cover this type of loss. For any asset originally purchased using UMTA matching funds, COTPA is required to return UMTA's pro rata share of the fair market value when the asset is disposed. COTPA has determined the fair market value of the bus to be approximately \$58,000. However, at November 1, 1989, COTPA had not yet returned UMTA's share of this disposition. UMTA's share is approximately \$46,000, or 80% of the fair market value.

*Recommendation:* We recommend that the COTPA board take action to ensure that COTPA comply with the requirement to refund UMTA the share of funds due them from the disposal of the destroyed bus.

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY [OHIO]

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

Program	Finding/Noncompliance	Questioned Costs
U.S. Department of Transportation		
1. Sections 9 and 9A Formula Grants	OMB Circular A-102 requires the grantee to conduct a physical inventory of property at least once every two years and the results of such inventory are to be reconciled to the grantee's property records. The Toledo Area Regional Transit Authority has not conducted a physical inventory of property within the past two years.	None
2. Sections 9 and 9A Formula Grants	OMB Circular A-102 requires that the Authority minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of the funds by the grantee. The Toledo Area Regional Transit Authority received \$36,782 on March 11, 1988, from the U.S. Treasury which was not disbursed until June 20, 1988. This delay was due to an inadvertent duplicate request for funds being submitted. The amount was subsequently repaid.	None

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CITY OF CHICAGO, ILLINOIS

*U.S. Department of Transportation  
Highway Planning and Construction Program—CFDA No. 20.205  
City Department of Public Works  
Year Ended December 31, 1988*

*Finding 1988-16:* Federal compliance requirements (OMB Circular A-102, Attachment L) mandate the prompt submission of a final voucher following project completion for both construction and preliminary engineering projects.

During 1988, the City had procedures to close out construction projects in a proper and timely manner. However, per review of six (6) preliminary engineering projects that should have been closed, no such procedures were performed. Therefore, the City is not in compliance with Federal regulations to grant close-out procedures.

We recommend that the City comply with the prescribed Federal regulations.

*1988 Grantee Response:* Procedures have been initiated to close out preliminary engineering grants on a systematic basis. The Grantor agency has provided funding for an audit to be performed by a certified public accounting firm. The City of Chicago has contracted with a CPA firm for this audit to be performed in order that the City will be in compliance.

*Urban Mass Transportation  
Capital Improvement Grants—CFDA No. 20.500  
City Department of Public Works  
Year Ended December 31, 1988*

*Finding 1988-17:* OMB Circular A-102, Attachment H, requires that each grantee submit quarterly financial status reports (SF-269) for each program that draws down funds on a letter of credit. These reports are due within thirty (30) days after the end of each quarter.

We noted that the quarterly financial status reports were not timely filed as follows:

<u>Quarter Ended</u>	<u>Report Due Date</u>	<u>Date Filed</u>	<u>Number of Days Late</u>
03/31/88	04/30/88	05/27/88	27
06/30/88	07/30/88	08/30/88	30

We recommend that the City comply with the prescribed reporting requirements.

*1988 Grantee Response:* The City developed procedures to properly comply with the reporting requirements as of the third quarter of 1988. Since then, the City has been submitting these reports on a timely basis.

*Finding 1988-18:* Federal compliance requirements (OMB Circular A-102, Attachment N) mandate that all nonexpendable personal property, having a useful life of more than one (1) year and an acquisition cost of \$300 or more per unit, purchased with Federal funds must be reflected on a property listing and that a physical inventory of property must be taken and the results reconciled with property records at least once every two (2) years.

The City does not maintain a listing of nonexpendable personal property purchased with Federal Funds from the Urban Mass Transportation Capital Improvement Grants. It is, therefore, not possible to accurately determine the total amount of nonexpendable personal property purchased by the City with Federal funds.

We recommend that the City maintain the property records and establish other property management procedures required by Federal regulations.

*1988 Grantee Response:* These findings relate to the bi-annual inventory of property/facilities purchases with UMTA capital funds and the bi-annual certification of use of project facilities.

All such facilities built or property purchased by the City with UMTA funds have been turned over to the Chicago Transit Authority (CTA) under written operating and maintenance agreements. The City is negotiating with the CTA to assure that these requirements are met in a timely manner.

*Finding 1988-19:* Federal reporting requirements mandate, under specific compliance UMTA Order 5010.1, that the City must certify bi-annually as to the use of project facilities.

The City has not filed the required certified Facility Use Reports.

We recommend that the City comply with these prescribed reporting requirements.

*1988 Grantee Response:* These findings relate to the bi-annual inventory of property/facilities purchases with UMTA capital funds and the bi-annual certification of use of project facilities.

All such facilities built or property purchased by the City with UMTA funds have been turned over to the Chicago Transit Authority (CTA) under written operating and maintenance agreements. The City is negotiating with the CTA to assure that these requirements are met in a timely manner.



CITY AND COUNTY OF HONOLULU, HAWAII

*Current Year's Findings of Noncompliance and Questioned Costs  
For the Fiscal Year Ended June 30, 1989*

Program	Finding of Noncompliance	Questioned Cost
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Urban Mass Transportation Administration (UMTA)	Cash Management <i>Finding:</i> Federal funds are not being disbursed in a timely manner. <i>Background:</i> Federal law requires minimizing the time elapsed between the drawdown of federal funds and expenditure of such funds. Processing of payments averages seven working days for this program. In 25% of the transportation program expenditures selected for testing, processing was longer than seven days. <i>Recommendation:</i> Disburse funds on a more timely basis to ensure compliance with federal procedures. <i>Administration's Comments:</i> There are two actions underway which should help speed future disbursements:	None
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1. A change in City budgeting procedures now reduces the time taken to allot funds from a specific source for disbursement.
2. In response to State law, effective January 1, 1990, the City Finance Department will start measures designed to speed the payment of bills.



MUNICIPALITY OF ANCHORAGE, ALASKA

*Federal Financial Assistance Reports  
Schedule of Findings and Questioned Costs*



Urban Mass Transportation Administration (UMTA)  
Grant Nos. AK90-0005, AK90-2005, AK90-4005, AK90-0003, AK90-2003, AK03-4002, AK03-0010, AK03-4003, AK08-0014 and AK90-0004

*Finding:* UMTA Circular 5000.1A states: "A Financial Status Report bearing an original signature must be submitted to UMTA quarterly, no later than 30 days after the end of the calendar quarter. Reports are required every quarter until the project has been completed." The Municipality is not submitting its quarterly reports on a timely basis.

*Questioned Costs:* None.

*Municipality Response:* Due to budgetary constraints, staffing for grant accounting did not allow for optimum reporting in 1988. We are striving to provide complete and timely reports on all grants.





COUNTY OF SANTA CLARA [CALIFORNIA]

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989 (continued)*



1989 Findings:

U.S. Department of Transportation

CFDA No. 20.500 Urban Mass Transportation Capital Improvement Grants

CFDA No. 20.507 Urban Mass Transportation Capital and Operating Assistance Grants

Grant No. Not Applicable

Total Questioned Costs—None.

Compliance Findings

1. *Finding:* With respect to the information reported on the District's Section 15 Form 006—Section 9 Statistics Summary included in its Section 15 Level A reporting package for the year ended June 30, 1989 (Form 006), we noted the following:

- Certain source documents that require signature under the District's system of internal controls were missing the independent individual's review signature. We also noted that with respect to passenger mile and vehicle revenue mile data summaries, although internal control procedures require that such data summaries be reviewed by independent individuals, the District's system of internal controls does not require the independent individual's signature to verify that such review has taken place. Therefore, we were unable to determine that such reviews had been performed during the year, as required.
- When proving the arithmetic accuracy of the periodic summaries prepared by the District, we noted differences between the detail and the summary totals of less than .05% of the summary totals.
- When proving the arithmetic accuracy of the summarization of scheduled service time and lost service time, we noted differences between the detail and the summary totals of less than .05% of the summary totals.
- We noted that the District does not have a contract signed by both parties for the purchase of the Dumbarton Bridge transit service.

To ensure that the information shown on the District's Form 006 is presented in conformity with the requirements of the Urban Mass Transportation Administration, as specified in Title 49, Code of Federal Regulations, Part 630:

- All reviews of source documents and data summaries should be evidenced by the reviewers'/supervisors' signatures.
- The arithmetic accuracy of all summaries should be reviewed and proven and any differences corrected appropriately.
- The District should obtain a contract for the purchase of the Dumbarton Bridge transit service. At a minimum, such contract should be signed by both parties and should specify the specific mass transportation services to be provided by the contractor, the monetary obligation of the District for the service and the period covered by the contract. In addition, the period covered by the contract should coincide with the District's fiscal year, and a copy of the executed contract must be retained by the District for a minimum of three years following the related contract period.

*Management Response:* During the audit, there were documents identified as requiring additional signatures. Procedures were immediately implemented to meet this requirement.

All summaries will be reviewed and arithmetic accuracy will be proven. In fiscal year 1989, the data was being collected on two different computer systems. In fiscal year 1990, all data will be collected on the Agency's DEC System, which should eliminate the inconsistencies noted previously.

The District has received a proposed contract from Alameda County Transit. We have some suggested modifications to the contract and anticipate approval by all parties by the end of fiscal year 1990.

WASHINGTON COUNTY, OREGON

*Schedule of Findings, Questioned and Unresolved Costs  
For the Fiscal Year Ended June 30, 1989*

Department of Transportation

Highway Research, Planning, and Construction (CFDA No. 20.205)

23CFR 260.407 specifies that federal funds may be used to reimburse for tuition and direct educational costs and continuing highway related education of employees, but not for travel, subsistence, or the salaries of these employees. Our review noted the County had claimed reimbursement for \$5,983 in travel, subsistence and salary costs for students during the current fiscal period which are unresolved costs. It is our recommendation that the County modify its educational reimbursement request to exclude travel, subsistence and salary costs.

*County Response:* It is the position of the County that the section cited is not relevant to the category of work being performed by the County and, therefore, is not a part of the governing regulations for the federal aid being received. The section cited is contained within Subpart D—State Education and Training Programs. The purpose of this subpart is to provide fellowship and scholarship grant programs to State and local agencies in an effort to provide financial support for up to 24 months of either full-time or part-time study (260.105). This subpart provides for the ability of the State to apply for specific education and training funds as administered by the National Highway Institute and as provided for under Subchapter D, Part 260 of 23CFR.

The federal aid being received from the State is designated for highway construction purposes, as provided for under Subchapter B 23CFR. The County has no specific grant agreement or contract with the state or with any other local agency to provide highway-related training and education as required under Section 260.405. The training included in our projects is provided by outside sources, is not provided by the County under contract, and is directly related to the activities of a designated highway construction project. Accordingly, the salary, travel and other expenses involved with these activities are reimbursable as provided for under Part 140 of Subchapter B, specifically Subpart G.



CITY OF BATTLE CREEK, MICHIGAN

*Schedule of Findings and Questioned Costs  
Year Ended June 30, 1989*

Findings	Questioned Costs
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Urban Mass Transportation Administration

\$3,525

3. *Condition*—Excess Funds on Hand and Interest Earned.

*Criteria:* U.S. Treasury regulations prohibit funds in excess of \$5,000 be on hand for greater than three days. In addition, earning interest on funds drawn down is prohibited.

*Effect:* The City continues to draw down funds that are not subsequently disbursed within three days. Of the \$2,252,904 of drawdowns tested, the following drawdowns in excess of the \$5,000 allowed were maintained for more than three days:

Program	Amount of Drawdown	Total Days Held
Community Development Block Grant	\$ 20,972	4
	11,079	5
	419,853	7
	7,756	5
	47,342	7

Schedule of Findings and Questioned Costs (continued)

Findings		Questioned Costs
Program	Amount of Drawdown	Total Days Held
	\$ 10,242	7
	5,283	8
	8,601	9
	10,453	7
	82,545	4
	16,316	4
Urban Mass Transportation Administration Grants	124,473	13
	82,622	11
	80,241	7
	386,389	29
	17,828	25
	25,051	9
	21,933	6
	22,115	6

*Cause:* The City generally draws down funds based on expenditures already incurred or major expenditures expected.

It is not possible to readily determine how much of the \$563 interest earned was on Community Development monies on hand and how much of the \$3,525 interest earned was on Urban Mass Transportation Administration monies. For example, during the year, other funds periodically covered Community Development and Urban Mass Transportation Administration expenditures while drawdown requests were pending. In addition, other material amounts were deposited into the account that were not prohibited from earning interest according to applicable grant agreements. It is also possible that a portion of the \$4,088 was earned due to various disbursements being held by payees for an extended period of time before being cashed. Therefore, it is possible that a portion of the \$4,088 was allowable interest earnings.

It should be noted that the above-mentioned instances of excess funds on hand for the Community Development Block Grant were isolated to the period of July 1988 to October 1988. Beginning in November 1988, no further instances were discovered due to the City's attempts to ensure that monies drawn down are disbursed on a timely basis. Under the cash flow system currently in place for the Urban Mass Transportation Administration, monies were held in excess of three days throughout the year for no apparent reason before being disbursed.

*Recommendation:* We recommend that the City ensure that monies drawn down are disbursed on a timely basis. Also, monies on hand from drawdowns should be in noninterest-bearing bank accounts.

*Grantee's Response:* We will further review our cash flow system and attempt to disburse drawdown funds upon receipt and take appropriate steps to eliminate earning interest on drawdown monies.

4. An Urban Mass Transportation Administration (UMTA) triannual review noted noncompliance conditions that related to compliance features in the Compliance Supplement for Single Audits of State and Local Governments. The following instances of noncompliance conditions have not yet been cleared by UMTA:

- a. Failure to file quarterly status reports—See Finding No. 6
- b. Failure to submit a copy of the annual audit

The City recently responded to the findings of the review and feels its response will be adequate to resolve the findings.

5. *Condition*—The transit system was charged an administrative service fee by the City without written approval of the State Bus Transit Division. \$40,000

Findings

*Criteria:* State statutes require that if costs are being charged by a local governmental unit providing services, the allocation requires written approval of the State Bus Transit Division.

*Effect:* The City did not comply with the statute in terms of obtaining prior written approval.

*Cause:* The City's procedures regarding administrative fees do not reflect the requirement to obtain written approval from the state.

*Recommendation:* We recommend that the City obtain written State approval prior to charging the Transit System for administrative services rendered.

*Grantee's Response:* The City intends to comply with the statute in the future and obtain approval or will eliminate the administrative charge. The City has support that indicates the charge to the Transit System is a just and reasonable charge for the administrative services rendered.

6. *Condition*—Failure to file quarterly financial status reports.

*Criteria:* Federal regulations require submission of quarterly financial status reports that contain revenue and expenditure detail for the Transit Authority.

*Effect:* The City did not prepare or submit any financial status reports during the current fiscal year.

*Cause:* The City was not aware that the requirement to submit quarterly financial status reports existed.

*Recommendation:* We recommend that the City begin to prepare and submit the quarterly financial status reports.

*Grantee's Response:* The City intends to comply with the regulations in the future by developing and utilizing a system for filing transit reports on a timely basis.

None

CITY OF MERCED, CALIFORNIA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

Program	Finding/Noncompliance	Questioned Costs
● ● ● ●		
2. Department of Transportation Urban Mass Transportation Capital and Operating Assistance Program No. C9030.1A	The requirement to charge elderly and handicapped persons one-half peak fares during off-peak travel hours has not been met for fixed-route service. The fares for dial-a-ride services comply with this requirement.	N/A

THE CITY OF FREDERICK, MARYLAND

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

● ● ● ●		
Department of Transportation Airport Development Aid Program General Requirement—Davis-Bacon Compliance	1. The City has not developed a system for monitoring applicable contractors with respect to payment of prevailing wages.	Questioned Costs: None

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CITY OF RALEIGH [NORTH CAROLINA]

*Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 1989*

Programs:

Urban Mass Transportation Administration

*Finding:* The City has not submitted the required quarterly Financial Status Reports (SF-269) on a timely basis. Changes in administrative duties created delays in the submission of these reports.

*Response:* The City will comply with this requirement in the future.

*Questioned Cost:* None.



CITY OF ALBUQUERQUE, NEW MEXICO

*Schedule of Findings and Questioned Costs (Single Audit)  
Year Ended June 30, 1989*



Urban Mass Transit Administration

While reviewing the federal financial reports, it was noted that the request for funds for the Operating Assistance Grant was not submitted on a timely basis. The request for funds was made in October of 1989, but the grant approval was received in April of 1989.

*City Management Response:* This was a communications problem. Proper procedures have been established so that requests in the future are submitted on a timely basis.

MACOMB COUNTY, MICHIGAN

*Schedule of Findings and Questioned Costs  
Year Ended December 31, 1988*

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
Federal Highway Administration (FHWA)—passed through the Michigan Department of Transportation	<p><i>Condition:</i> Excess construction engineering costs.</p> <p><i>Criteria:</i> Construction engineering costs are not to exceed 15 percent of total construction costs.</p> <p><i>Effect:</i> The Road Commission's construction engineering costs on two projects have exceeded the 15 percent limitation. Notification from the Michigan Department of Transportation (MDOT) regarding this finding has been received. Reimbursements requested for costs in excess of the limitation were not remitted to the Road Commission. At the time that the State performs a final audit of the project, it may decide to reimburse the Commission for the excess costs incurred.</p> <p><i>Cause:</i> The excess costs were caused by unanticipated difficulties that required additional construction engineering.</p> <p><i>Recommendation:</i> The Road Commission should document in detail the reasons for excess costs. MDOT will then have reason to reimburse the Commission after completing the final audit.</p>	None

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<p><i>Grantee's Response:</i> The grantee will clearly document reasons for all excess costs.</p> <p>Projects:</p> <p style="padding-left: 40px;">UF0844—Utica crossing Red Run Drain—W.O. #3004</p> <p style="padding-left: 40px;">UF1422—Garfield—16 to 17—W.O. #1325</p>	None
	<p><i>Condition</i>—Request for reimbursement from FHWA for local participation portion of a project's costs.</p> <p><i>Criteria</i>—The Road Commission is to contribute an agreed-upon percentage of costs for projects with FHWA participation.</p> <p><i>Effect</i>—The Road Commission was billed by MDOT for the local portion of a project's cost. The Road Commission then requested, through MDOT, the pass through agency, federal reimbursement for its local portion.</p> <p><i>Cause</i>—The MDOT invoice was entered onto the Road Commission's computer system under the proper project's cost but with an incorrect billing code. As a result, the system generated a request for reimbursement that was forwarded to MDOT.</p> <p><i>Recommendation</i>—The Road Commission has already adjusted its records and will notify MDOT.</p> <p><i>Grantee's Response</i>—The Road Commission has already adjusted its records and will notify MDOT.</p> <p>Project:</p> <p style="padding-left: 40px;">UF1636—13 Mile Road—Hayes to Lorraine—W.O. #1823</p>	

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CITY OF LAWRENCE, KANSAS

*Schedule of Findings and Questioned Costs  
As of December 31, 1988*

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
	● ● ● ●	
<p>Finding 3: Urban Mass Transportation Administration Transporta- tion Planning Grant</p>	<p>Administrators for the Transportation Planning grant submitted the requests for funds late for the Mass Transit grant in each quarter of 1988.</p> <p>The requests for funds for the 1989 grant year must be filed timely in order to receive grant monies in the year they are approved. Administrators for the grant acknowledged this finding to be true.</p>	None

CITY OF PUEBLO, COLORADO

*Findings*

Two former Pueblo Bus Company employees were found guilty in 1989 of theft from city bus fare boxes. The theft occurred during a period from July 1986 through May 19, 1988. The amount of the loss has been estimated by a consulting economist to be from \$87,000 to \$120,000.

The effect, if any, on the U.S. Department of Transportation grants, CFDA #20.507 has not been determined.

*Recommendation:* It is recommended that the City, due to the theft loss, recompute the net project cost of the Bus Company for the years 1986, 1987 and 1988 to determine if any funds are payable, under the terms of the grant, back to the federal government.

*City Response:* The City will review applicable federal regulations and directives to determine the effect, if any, of the theft loss on its federal grant funding.

CITY OF FOND DU LAC, WISCONSIN

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

Program	Finding/Noncompliance/Response	Questioned Costs
UMT Capital Assistance 1. CFDA No. 20.507	<p><i>Finding/Noncompliance:</i> The City receives capital assistance annually from the Department of Transportation (DOT) which is used to purchase fixed asset additions. The program requires that when an asset purchased with federal monies is disposed of, a percentage of the funds received on disposition, equal to the percent of the asset's historical cost originally purchased with federal funds, must be refunded to the DOT; thus requiring a separate accounting for the asset's historical cost and related accumulated depreciation. Currently, the City does not have an identifiable/auditable accounting of fixed assets acquired with federal program monies.</p> <p>We recommend that the City establish a separate, identifiable accounting of fixed assets acquired with federal program monies to ensure complete and accurate documentation of current activities for future reference.</p> <p><i>Response:</i> The City's current computerized fixed asset system does not provide the necessary data fields to adequately identify the grant through which fixed assets were purchased. This deficiency will be corrected when sufficient resources are available.</p>	\$ — <hr style="width: 50%; margin: 0 auto;"/>

CITY OF FAYETTEVILLE, NORTH CAROLINA

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

Program	Finding/Noncompliance	Questioned Cost
Urban Mass Transportation Capital and Operating Assistance Grants CFDA No. 20.507	<p style="text-align: center;">● ● ● ●</p> <p>During our financial reporting testwork for this program, we found that the required quarterly reports (Financial Status Reports) for the grants had not been completed and submitted to UMTA on a timely basis for all four quarters. There were no effects on the City's funding and therefore there is no questioned cost associated with this finding.</p>	—

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CITY OF KENOSHA, WISCONSIN

*Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1988*

*Finding 1—Urban Mass Transportation Act:* The City of Kenosha Transit Commission—Transit Division, as part of Park-N-Ride Lot Projects WI-90-X064 and WI-90-0065, committed to relocate an existing business and expend monies to make certain physical changes to the new property. Expenditures to make the physical changes approximated \$79,000. Code of Federal Regulations Section 49 CFR §25.305 specifically prohibits a displaced person from receiving payment for physical changes to the real property at a replacement location of a business. Accordingly, the \$79,000 would not be eligible for capital grant reimbursement.

*Recommendation:* Establish procedures which would require a review of the eligibility for reimbursement of proposed capital grant expenditures prior to approval, in order that management may make well-informed decisions regarding capital grant expenditures.

*Response:* The costs involved were believed to be eligible and, therefore, were supported and approved. New procedures will be established and implemented.



METRO-DADE TRANSIT AGENCY [FLORIDA]

*Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1988*

Program	Finding/Noncompliance	Questioned Costs
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<p>Urban Mass Transit Administration ("UMTA") Section 15 of the UMTA Act of 1964, as amended; Title 49, Code of Federal Regulations, Part 630</p>	<p><i>Current Year's Comments:</i> The 1985 and 1986 statistical distribution sheets were not retained for three years.</p> <p>The system of internal controls does not require the independent periodic review of source documents and intermediate records, nor does it require that such documents and records have preparer's and supervisor's signatures.</p> <p>The procedures as submitted to UMTA for accumulating and recording passenger mile data for Rapid Rail and Automated Guideway have not been approved by UMTA.</p> <p>The procedure used to replace a missed sample run for Motor Bus did not employ a randomly selected replacement sample run.</p> <p>The February 1988 accumulation period for accumulating passenger mile data for Rapid Rail was miscalculated by 800 passenger miles.</p> <p>The procedures for accumulating and reporting vehicle revenue mile data for Motor Bus Fixed Guideway does not include a reduction for missed trip mileage.</p> <p>The procedures for accumulating and reporting vehicle revenue mile data for Motor Bus Fixed Guideway include the use of an estimate for the number of miles per missed trip to be applied to the number of missed trips.</p> <p>Documentation of the retained fare revenue amount as reported by the contract service provider under its purchased transportation contract is not maintained.</p>	<p>Not Applicable</p>
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COUNTY OF NASSAU, NEW YORK

Report on Compliance  
Schedule of Findings and Questioned Costs



UMTA—Capital Improvements Grant (20.507)  
Financial Status Report

*Situation:* The Department of Transportation is required to file quarterly financial status reports to UMTA. Of the twenty programs tested in this report we noted one instance (4th quarter) where \$64,116 was recorded as an unliquidated expenditure (payable) as opposed to having a zero balance.

*Recommendation:* Although there is no financial impact from the finding above, we recommend that the Department enhance their existing controls to ensure the accuracy of the Financial Status Report.

*Questioned Costs:* None.

*County's Response (Planning Department):* We agree that the existing controls should be enhanced.

This error was corrected in the first quarter of 1989 and new spreadsheets were implemented that process the updating and reporting of each grant separately and individually. This results in better control because the reports can [be] printed and tested very quickly whenever items are added to or deleted [from the] spreadsheet.

Cash Disbursements/Cash Receipts Compliance

*Situation:* Two claims totalling \$63,000 that were drawn down and recorded as expenditures twice. The error was found in 1989 by the Department of Transportation and subsequently corrected.

*Recommendation:* We recommend that the Department of Transportation enhance their existing controls to ensure the proper recording of claims.

*Questioned Costs:* None.

*County's Response (Planning Department):* Presently, the County has implemented a system in which only one employee can execute a drawdown which is being requested by the Department of Public Works. A program has been developed that will check for duplicate claim numbers.

Davis-Bacon Act

*Situation:* During our review of the Davis-Bacon files, we noted one instance where a specific contractor's (Jodinan Plumbing & Heating—Rockville Centre Project) payroll forms had not been submitted for the entire year of 1988, until June 1989. Therefore, none of these payroll forms had been monitored to verify that the contractor was in compliance with the Davis-Bacon Act.

*Recommendation:* We recommend that the persons in charge of monitoring compliance with the Davis-Bacon Act files enhance their existing controls to verify that all payroll forms of contractors and subcontractors are submitted on a timely basis.

*Questioned Costs:* None.

*County's Response (Department of Public Works):* We have informed the Project Manager in charge of the project to institute tighter procedures to insure compliance with the Davis-Bacon Act. The payroll records for the period are now in our possession and available for audit.



CITY OF AUSTIN, TEXAS

Comments on Internal Accounting and Administrative Controls  
Related to Federal Financial Assistance Programs  
(Conditions Not Considered to Be Material Weaknesses)



Program	Observation	Recommendation
U.S. Department of Transportation, Mueller Airport Capital Improvements	1. If it is seeking reimbursement participation from the Federal Aviation Administration, a recipient is required to present all construction contract change	The City should develop a policy and institute procedures to ensure that its processing of change orders meets federal requirements. Its procedures should include

Program	Observation	Recommendation
	<p>orders relative to federally funded airport capital improvement projects to the FAA prior to commencement of the additional work.</p> <p>Prior to fiscal 1988, three change orders were acted upon prior to approval by the FAA. Initially, the FAA refused participation in the additional costs. However, as of September 30, 1988, it had agreed to review the change orders and subsequently approved partial federal funding of the additional costs. Because the City did not follow the specified procedure in processing change orders, there was a risk that reimbursement for otherwise eligible costs could have been lost.</p>	<p>supervisory review of change orders and establish a mechanism for coordinating with the FAA to assure timely approval. Such procedures would minimize delays in the construction process as well as assure that the maximum level of available federal funding is obtained.</p>
	<p>2. The City failed to include \$32,687 in construction costs potentially eligible for reimbursement from the Federal Aviation Administration in the Construction Contract Estimate supporting the final "Outlay Report and Request for Reimbursement for Construction Programs" submitted to obtain cost reimbursement on a federally supported airport construction project.</p> <p>Although the City is currently pursuing reimbursements for these costs, the oversight could result in the loss of \$24,515 in federal aid.</p>	<p>We recommend that the City implement procedures to verify the mathematical accuracy of the Construction Contract Estimates provided to the FAA. If performed, such a procedure would have detected the missing eligible cost.</p>

**DEPARTMENT OF THE TREASURY—REVENUE SHARING**

CITY OF SHREVEPORT, LOUISIANA

*Schedule of Findings and Questioned Costs (Single Audit)  
Year Ended December 31, 1988*

Program	Findings	Questioned Costs
	● ● ● ●	
Federal Revenue Sharing	<p>5. The City did not publish the required "Proposed Uses" advertisement in the official journal.</p> <p><i>Management Response:</i> We concur. Since the Federal Revenue Sharing program was phased out in 1987, we don't believe it is a necessary procedure.</p>	—

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Findings</u>	<u>Questioned Costs</u>
	6. For the construction project Asbestos Removal—City jail, the project monitor at Public Buildings did not request wage statements from the contractors. <i>Management Response:</i> We concur. The wage statements have subsequently been received.	—

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CITY OF MANCHESTER, NEW HAMPSHIRE

*Schedule of Compliance Findings and Questioned Costs  
Year Ended December 31, 1988*

•••••

<u>Program</u>	<u>Current Audit Period</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
Revenue Sharing	January 1, 1988– December 31, 1988	Notice of a public hearing on the relationship of revenue sharing funds to the entire budget was made but not ten days before the hearing as required. Notice that a summary budget is available for public inspection was made but not within the required 30 days after budget enactment. Notice that an audit report is available for public inspection was made but not within the required 30 days after receipt of the audit report by the City. There are no established grievance procedures available for review of complaints alleging handicap discriminations. Record of when the City published public notice on the availability of the actual use report (census) was not maintained. This notice must be given within 30 days of when the report is filed.	None

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CITY OF JOLIET, ILLINOIS

*Schedule of Findings  
Year Ended December 31, 1988*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
1. Revenue Sharing Program	Entitlement funds have not been appropriated, obligated, or used within the designated period of time.	None

FAIRBANKS NORTH STAR BOROUGH [ALASKA]

*Federal Financial Assistance  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1989*

<u>Program</u>	<u>Findings/Noncompliance</u>
Federal Revenue Sharing	Department of Treasury 1. Fairbanks North Star Borough did not issue a use report as required by 31 CFR 51.13(a).

<u>Program</u>	<u>Findings/Noncompliance</u>
	2. The Fairbanks North Star Borough did not appropriate, obligate or use the Federal Revenue Sharing Funds within the 24-month period after the end of the entitlement period as required by 31 CFR 51.101(b).
	3. The Fairbanks North Star Borough has not completed a self-evaluation review of policies, practices, programs, and activities to determine if they discriminate against the handicapped. Handicapped individuals and organizations must be included in the self-evaluation process as required by 31 CFR 51.55(c).
	4. The Fairbanks North Star Borough did not hold a public hearing on the relationship of revenue sharing funds to the entire budget prior to enactment of the annual budget as required by 31 CFR 51.13(c)
	5. Property records of the Fairbanks North Star Borough are not complete enough to show date of purchase and value; date of transfer, if applicable; location of property; and date of disposal of real or personal property, having a minimum value of \$1,000, purchased in whole or in part with revenue sharing funds as required by 31 CFR 51.70.

Questioned Costs  
\$ —

Fairbanks North Star Borough Response

The Federal Revenue Sharing Program has been discontinued and the Borough received its last payment in February 1987. However, cash on hand will continue to earn interest until the last dollars are expended. As of June 30, 1989, all remaining funds have been appropriated and are designated for subsequent years' expenditures as reflected in the borough's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1989. The Borough's responses to the specific findings are as follows:

1. The Borough is in the process of completing its Use Report for fiscal year 1987-88.
2. Due to more interest earned on Federal Revenue Sharing funds than expected, the Federal Revenue Sharing funds were not used within the 24-month period. The portion of the entitlement left is interest earned on Federal Revenue Sharing funds.
3. The Borough is an Equal Employment Opportunity Employer and in August 1988 adopted an Affirmative Action Plan. Furthermore, the Borough's facilities are all handicapped accessible and the Parks & Recreation Department offers a therapeutic program which serves people of all types of handicaps.
4. In accordance with the Borough's Code of Ordinances, public hearings were held for fiscal year 1988-89 appropriations of Federal Revenue Sharing funds. However, the budget relationship was not disclosed as required.
5. During fiscal year 1987-88, the Borough completed a physical inventory of its fixed assets. When the information was available, any assets purchased with revenue sharing funds were so identified. However, for many assets, the original funding source could not be identified. The Borough's newly implemented capital asset inventory program has the capability and is being maintained to record the funding source for all newly acquired assets.

WASATCH COUNTY [UTAH]

*Schedule of Findings and Questioned Costs—Current Period*  
*December 31, 1988*

<u>Program</u>	<u>Finding, Condition and Recommendation</u>	<u>Questioned Costs</u>
Department of Treasury General Revenue Sharing	1. <i>Finding:</i> The County did not comply with the public participation requirements of the Revenue Sharing Act by making certain public notices in the newspaper appropriately.	\$-0-

*Schedule of Findings and Questioned Costs (continued)*

<u>Program</u>	<u>Finding, Condition and Recommendation</u>	<u>Questioned Costs</u>
	<p>a. The budget hearing notice did not state the relationship of the Revenue Sharing Funds to the entire budget. A separate proposed use hearing for the use of Revenue Sharing Funds was held but notice was not timely.</p> <p>b. Published notice of the availability of the use report, UT-1, was not made.</p> <p>c. Published notice of the prior audit report's availability for public inspection was not made.</p> <p>d. Initial public notice was not made that the County does not discriminate on the basis of handicap in employment, admission or access to or treatment in its programs or activities. The notice should include the name of the employee who coordinates compliance with the handicap regulations.</p> <p><i>Recommendation:</i> The County should establish a system to monitor compliance with Revenue Sharing public notifications requirements.</p> <p><i>County's Response:</i> If future Revenue Sharing Funds are expended, the required notifications will be made on a timely basis.</p> <p>2. <i>Finding:</i> The County has not adopted a grievance procedure for review of complaints alleging discrimination against handicapped individuals, as required by the regulations.</p> <p><i>Recommendation:</i> We recommend that the required procedure be established.</p> <p><i>County's Response:</i> We concur with the finding and will implement the recommendation.</p> <p>3. <i>Finding:</i> The 1987 use report (UT-1) was not prepared and submitted.</p> <p><i>Recommendation:</i> We recommend the County prepare and submit the 1987 use report.</p> <p><i>County's Response:</i> We concur with the finding and we will file the report.</p>	

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CITY OF HASTINGS, NEBRASKA

*Schedule of Findings and Questioned Costs  
For the Year Ended July 31, 1988*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
Revenue Sharing	<p>No formal inventory records are kept to separately identify long-lived assets purchased with Revenue Sharing monies.</p> <p>We recommend formal inventory records to separately identify long-lived assets be established. City personnel are in the process of creating a formal inventory recording system.</p>	None

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HARRIS COUNTY, TEXAS

*Schedule of Findings and Questioned Costs  
For the Year Ended February 28, 1989*

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
	● ● ● ●	
Federal Revenue Sharing	The audited Comprehensive Annual Financial Report and Single Audit Report for the fiscal year ended February 29, 1988, was issued in August 1988. The publication of its availability for public inspection was never made. Federal Regulations require such a notice to be published within 30 days after the report's completion.	None

● ● ● ●

CITY OF WEST PALM BEACH, FLORIDA

*Schedule of Findings and Questioned Costs  
Year Ended September 30, 1988*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
	● ● ● ●	
U.S. Department of Treasury Federal Revenue Sharing	<p>A notice that the City's audit report for the year ended September 30, 1987, was available for public inspection was not made within 30 days of the completion of the audit.</p> <p>The Florida Commission on Human Relations confirmed that one complaint was filed against the City alleging discrimination by the City on the basis of handicapped status. Case number FCHR 87-4323 was filed June 22, 1987, against the fire department and was dismissed on November 2, 1988.</p> <p>The Equal Employment Opportunity Commission confirmed that one complaint was filed against the City's fire department alleging discrimination on the basis of age. The complaint is case number 150880642 and has not been resolved to date.</p> <p>All prior year findings related to the Federal Revenue Sharing Program were resolved during the current year.</p>	

*Total Questioned Costs*

\$ -0-

## APPENDIX A

### INTRODUCTION TO THE GOVERNMENTAL UNIT ANNUAL REPORT FILE

The American Institute of Certified Public Accountants (AICPA) established the National Automated Accounting Research System (NAARS) as a means of information retrieval. NAARS is the accounting research library in Mead Data Central's LEXIS® service. LEXIS® is a complete, computer-assisted legal research service that offers additional services of interest to the accounting professional. NAARS is one of those additional services.

LEXIS® /NAARS can be accessed by subscribing to LEXIS through Mead Data Central or, if you are an AICPA member, through the AICPA's Total On-Line Tax and Accounting Library (TOTAL). For information on TOTAL call Hal G. Clark at (212) 575-6393.

NAARS contains authoritative and semiauthoritative accounting literature, annual reports from more than 20,000 companies, and comprehensive annual financial reports from more than 2,000 local governmental units subject to the Single Audit Act of 1984.

The Governmental Unit Annual Report file is a new file in NAARS. Each document contains the general purpose financial statements, the schedule of federal financial assistance, and the full text of the notes to the financial statements of a local governmental unit. It also contains the full text of the reports submitted under the Single Audit Act of 1984 for that entity.

The following are the reports for the entity itself:

- A report on the examination of the general purpose financial statements covered by the audit
- A report on the internal accounting controls based solely on the study and evaluation made as a part of the audit of the general purpose financial statements
- A report on compliance with laws and regulations that may have a material effect on the general purpose financial statements

The following are the reports for the entity's federal financial assistance programs:

- A report on the schedule of federal financial assistance
- A report on internal accounting and administrative controls used in administering federal financial assistance programs
- A report on compliance with laws and regulations identifying all findings of noncompliance and questioned costs
- Schedule of identified compliance exceptions, commonly referred to as questioned costs

The distribution of entity types is as follows:

	File Year			
	85/86	86/87	87/88	88/89
Counties	90	114	125	125
Cities	200	199	225	225
Townships	25	37	25	25
Special Districts	108	61	50	50
School Districts	77	89	75	75
Total	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>

A file year consists of entities with year-ends from July 1 through June 30 (i.e., the 88/89 file contains the financial statements and auditors' reports for 500 entities with year-ends between July 1, 1988, and June 30, 1989).

## **USING THE GOVERNMENTAL UNIT ANNUAL REPORT FILES**

To effectively use the Governmental Unit Annual Report File, the researcher should understand how to formulate a search and how files are organized.

### **Search Frames**

The government reports may be searched by using a key word or phrase in the search frame transmitted. However, a particular accounting concept may be difficult to find by using a key word or phrase. For example, the subject "Accounting Changes" is sometimes difficult to identify in a governmental unit annual report. A particular report may refer to an accounting change simply by saying, "In the current year, the management of the City elected to change the accounting for. . .," which is a simple example to find. The search frame to transmit may be constructed as follows.

#### **CHANG! W/5 PRINCIPLE OR ACCOUNTING**

In this case, the researcher instructs the computer to search the governmental unit annual reports for any form of the word **CHANGE** (the exclamation point is a wild card) to appear within five words of either **PRINCIPLE** or **ACCOUNTING**.

However, a report that discloses an accounting change in a manner that does not use the word **CHANGE** can be difficult to find. For example, "The District adopted the depreciation method of accounting for property and equipment in fiscal 1989. . ." This disclosure implies there was a change in the method of accounting but does not use any form of the word **CHANGE**.

The AICPA staff indexes the notes to make it possible to find such examples. A CPA reads each of the notes to be entered into the data base. These professionals identify accounting concepts contained within a note. The accounting concepts contained within the note are indexed by applying one or more acronyms at the beginning of each note. When the report is entered into the data base, the acronym becomes part of the note. The acronym is called a descriptor. (A list of all the descriptors used in the Governmental Unit Annual Report files is presented later in this appendix.) The descriptor that identifies a change in accounting principle is **GACCTPRN**.

The second example may be retrieved by adding the descriptor to the search frame, as follows:

#### **GACCTPRN OR CHANG! W/5 PRINCIPLE OR ACCOUNTING**

Here the researcher instructs the computer to first find examples of note disclosure where the note contains the descriptor **GACCTPRN** or any form of the word **CHANGE**. Next, the computer is instructed to find examples where the words **PRINCIPLE** or **ACCOUNTING** are contained. Finally, from these two sets of note disclosures, the computer is instructed to select notes that contain **GACCTPRN** or any form of the word **CHANGE** within five words of **PRINCIPLE** or **ACCOUNTING**.

The researcher may also use descriptors together with a key word or phrase to find examples of specific kinds of changes. For example, the following search frame would provide examples of a reclassification from nonoperating revenues to contributed capital in compliance with the Standards of the Governmental Accounting Standards Board Statement No. 6:

#### **GACCTPRN W/SEG GRECLAS W/SEG (STATEMENT OR STANDARD OR GASB W/3 6)**

The **W/SEG** (within segment) is a connector that instructs the computer to find the search frame within the same segment, or in this case, the same note disclosure. (A list of connectors and



all segments used in the Governmental Unit Annual Report file is also presented later in this appendix.)

While these search frames may appear intimidating at first glance, formulating a search becomes easier with experience. To provide new users with a quick start, the AICPA offers a self-study course on formulating searches and using this data base. The first course is entitled *Learning LEXIS/NEXIS/NAARS* and is available from the AICPA Order Department, which can be reached at 1-800-334-6961 (in New York, 1-800-248-0445).

If you have questions about subscribing to the NAARS data base through AICPA TOTAL (Total On-line Tax and Accounting Library), call Hal G. Clark at (212) 575-6393. To subscribe to TOTAL, call the Order Department number listed above.

### **Search Frames Used for This Survey**

Each federal agency has its own descriptor. (A list of descriptors by program or agency is presented on page 154.) Each federal agency descriptor has a separate search frame. For example, to find compliance findings and questioned costs where the Department of Agriculture is the grantor, the search frame was **GDAGR**. The individual program or agency findings and questioned costs were then extracted from the entire schedule to provide the examples for this survey.

## **SEGMENTS AND DESCRIPTORS**

### **Segments**

Segments are naturally occurring divisions in a document. The researcher can use segments to:

- Limit the search to one or more segments.
- View or print selected parts of documents.
- Conduct a search for documents based upon arithmetic values.

### **Using Segments**

A typical segment search follows this format:

*name of segment search*

**NM/UNT (DETROIT)**

Using the **NM/UNT** (name of governmental unit) segment tells the LEXIS® service to look for reports that are about **DETROIT**. It would not find reports that simply mentioned **DETROIT**.

### **Choosing Connectors for Segment Searches**

The segment **OR** is used to connect words or descriptors in any part of a document.

The segment **AND** is used to connect words or descriptors in all group segments, except for the **FTNT** or **FNDG** group segments.

The segments **W/SEG** or **W/n** are used to connect words or descriptors in all other segments, including the **FTNT** and **FNDG** segments.

### **Group Segments**

A group segment combines related segments for convenience in searching or viewing documents. Note that the **OR** and **AND** connectors can connect words or descriptors in separate

segments in a group segment, but that the **W/n** and **W/SEG** segments cannot. The connectors selected depend on the search objective. For example, to find a governmental annual report with a balance sheet segment (**B/S**) that had the **GNOCAPBS** descriptor and the word **PAYROLL**, the researcher would transmit:

**B/S (GNOCAPBS AND PAYROLL)**

The **AND** connector is used here. The **GNOCAPBS** descriptor is in the **TITLE-BS** segment of the **B/S** group segment, and the word **PAYROLL** is in another segment within the **B/S** group segment. The **AND** connector must be used to cross the individual segment boundaries within a group segment.

To find a note with both the **GCOMMT** and **GDEPREC** descriptors, the researcher would transmit:

**GCOMMT W/SEG GDEPREC**

Although **FTNT** (notes to the financial statements) is a group segment, each individual note in an annual report is a separately searchable segment. You want to find annual reports with *both* descriptors in the *same* note. The **W/SEG** connector requires this, whereas the **AND** connector would find annual reports with the **GCOMMT** and **GDEPREC** descriptors in different notes. You do not need to use parentheses, as these descriptors are only found in the **FTNT** segment.

**Arithmetically Searchable Segments**

Segments indicated with an asterisk (\*) are arithmetically searchable. This allows the researcher to specify that an arithmetic value in the segment concerned be equal to, greater than, or less than, some other value.

To find governmental unit annual reports with a total dollar number of federal financial assistance in excess of \$10,000,000, the researcher would transmit:

**T/ASST 10,000,000**

The last three zeros are *not* omitted from numerical values in the GR file. The files containing corporate annual reports (such as AR) *do* omit the last three zeros from numerical values.

**Segment Organization**

Name of governmental unit .....	NM/UNT
Name of state .....	NM/ST
Census Bureau number .....	BUR/NO
Type of governmental unit .....	TYP/UNT
Auditor(s) .....	AUD
Scope of audit .....	SCOP/AUD
Fiscal year ended—date of balance sheet .....	DB/S*
Date of auditor(s) report of general purpose financial statements .....	D/REPR*
Elapsed time between fiscal year end and date of auditor's report (nearest whole month) .....	ELPSD*
Fund types presented .....	FND/TYP

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\*Indicates arithmetically searchable segments.

Type of financial statements	TYP/FS
Top city ranking	CTYRNK*
Top county ranking	CNTYRNK*
Population	TL/POP*
Total assets	TL/ASET*
Total liabilities	TL/LIA*
Total fund balance	TL/FBAL*
Total revenue—GOVERNMENTAL FUND TYPES	TL/REV*
Excess revenues over expenditures (Excess expenditures over revenues)—GOVERNMENTAL FUND TYPES	N/REV*
Total revenue—PROPRIETARY FUND TYPES	PTL/REV*
Total net income—PROPRIETARY FUND TYPES	PTL/NI*
Total dollar value of compliance findings	TL/FNDG*
Total number of compliance findings	NBR/FDG*
Total dollar value of federal financial assistance	TL/ASST*
Comments	COM
Auditor reports	REPRT
Schedule of federal financial assistance	FDLASST
Auditor's report on compliance	RPT/CMPL
Auditor's report on internal control	RPT/IC
Combined balance sheet	B/S (group segment)
Combined statement of revenues, expenditures, and changes in fund balances	RECFB (group segment)
Combined statement of revenues, expenditures, and changes in fund balances—budget vs. actual	B/A (group segment)
Combined statement of revenues and expenses and changes in retained earnings	RECR/E (group segment)
Combined statement of changes in financial position	SCF/P (group segment)
Footnotes to general purpose financial statements	FTNT (group segment)
Schedule of compliance findings	FNDG (group segment)

<u>Group Segment</u>	<u>Segment Name</u>	<u>Short Name</u>
B/S	Title—(combined balance sheet)	TITLE-B/S
B/S	Assets	ASET
B/S	Liabilities	LIAB
B/S	Fund balance	FNDBL
RECFB	Title—(combined statement of revenues, expenditures, and changes in fund balances)	TITLE-RECFB
RECFB	Revenues	RVNUE
RECFB	Expenditures	XPND
RECFB	Revenues over (under) expenditures	N/RVNU
RECFB	Other financing sources	OSRC
RECFB	Other financing uses	OUSE
RECFB	Other financing sources/uses (net)	OSRCUSE

\*Indicates arithmetically searchable segments.

<u>Group Segment</u>	<u>Segment Name</u>	<u>Short Name</u>
RECFB	Excess revenues over (under) expenditures including other financing sources/uses . . . . .	NTCHG
RECFB	Fund balance . . . . .	RE/FBAL
B/A	Title—(combined statement of revenues, expenditures, and changes in fund balances—budget vs. actual) . . . . .	TITLE-B/A
B/A	Revenues . . . . .	BA/RVNUE
B/A	Expenditures . . . . .	BA/XPND
B/A	Revenues over (under) expenditures . . . . .	BAN/RVNU
B/A	Other financing sources . . . . .	BA/OSRC
B/A	Other financing uses . . . . .	BA/OUSE
B/A	Other financing sources/uses (net) . . . . .	BA/OSRCUSE
B/A	Excess revenues over (under) expenditures including other financing sources/uses . . . . .	BA/NTCHG
B/A	Fund balance . . . . .	BA/REFBAL
RECR/E	Title—(combined statement of revenues, expenses, and changes in retained earnings) . . . . .	TITLE-RECR/E
RECR/E	Operating revenues . . . . .	OP/REV
RECR/E	Operating expenses . . . . .	OP/EXP
RECR/E	Operating income (loss) . . . . .	OP/NTREV
RECR/E	Nonoperating revenues (expenses) . . . . .	NOP/REV
RECR/E	Operating transfers income . . . . .	OP/TRNS
RECR/E	Net income (loss) . . . . .	N/INC
RECR/E	Change in retained earnings/fund balances . . . . .	CHG/RE
SCF/P	Title—(combined statement of changes in financial position) . . . . .	TITLE-SCF/P
SCF/P	Sources . . . . .	PROV
SCF/P	Uses . . . . .	USD
SCF/P	Components of change . . . . .	COMP
SCF/P	Sources/uses—cash basis . . . . .	PROV/USD
FTNT	Title—(footnotes). . . . .	TITLE-FTNT
FTNT	Footnotes (segments)	
	Note-1 through note-48 . . . . .	NOTE-1 THRU
	Also note A-Z . . . . .	NOTE-48
	Auditor's report . . . . .	REPRT
	Schedule of federal financial assistance . . . . .	FDLASST
	Auditor's report on compliance . . . . .	RPT/CMPL-FNDG
FNDG	Title—(Schedule of compliance findings) . . . . .	TITLE-FNDG
FNDG	Schedule of compliance findings . . . . .	FNDG-1 THRU
	Finding-1 through finding-20—also finding A-U . . . . .	FNDG-20
	Report on internal control . . . . .	RPT/IC

## Descriptors

Descriptors are abbreviated terms added to annual reports by the AICPA to identify accounting concepts. Descriptors allow the researcher to focus on a specific concept and narrow the search to individual notes or auditors' comments.

Further discussion of segments and descriptors can be found in the TOTAL or Mead reference manuals. Segments and descriptors are for use in the GR files of the NAARS service. They will not

work in any of the other annual report files in the NAARS service, nor will segments and descriptors from other files work in the GR files.

Many of the accounting concepts found in the GR files are similar to those in corporate annual reports. However, in the GR files, descriptors used to identify those concepts are preceded by the letter G.

Descriptors in the GR files are found in the following segments:

<u>Name of Segment</u>	<u>Short Title</u>
Scope of audit . . . . .	SCOP/AUD
Combined balance sheet . . . . .	B/S
Notes to general purpose financial statements . . . . .	FTNT
Schedule of federal financial assistance . . . . .	FDLASST
Schedule of compliance findings . . . . .	FNDG
Fund types presented . . . . .	FND/TYP
Combined statement of revenues, expenditures, and changes in fund balance . . . . .	RECFB
Auditor reports . . . . .	REPR
Auditor's report on compliance . . . . .	RPT/CMPL
Auditor's report on internal controls . . . . .	RPT/IC

**Scope of Audit (SCOP/AUD)**

	<u>Descriptor</u>
Combined balance—all fund types and account groups . . . . .	GBALSHT
Combined statement of revenues, expenditures, and changes in fund balance—all governmental fund types and expendable trust funds . . . . .	GRECBG
Combined statement of revenues, expenditures, and changes in fund balances—budget and actual—general and special revenue fund types . . . . .	GRECBAG
Combined statement of revenues, expenses, and changes in retained earnings/fund balances—all proprietary fund types and similar trust funds . . . . .	GREREPR
Combined statement of changes in financial position—all proprietary fund types and similar trust funds . . . . .	GCHGFPPR

**Fund Types Presented (FND/TYP)**

	<u>Descriptor</u>
Governmental fund types	
General . . . . .	GGENL
Special revenue . . . . .	GSPECREV
Debt service . . . . .	GDBTSVS
Capital service . . . . .	GCPROJ
Special assessment . . . . .	GSPASMNT
Proprietary fund types	
Enterprise . . . . .	GNTRPRZ
Internal service . . . . .	GINTSVC
Fiduciary fund types	
Trust and agency . . . . .	GFIDU
Expendable trust . . . . .	GXPNDTST
Nonexpendable trust . . . . .	GNXPNDTST
Account groups	
General fixed asset . . . . .	GGAFA
General long-term debt . . . . .	GLTD

	<u>Descriptor</u>
Memorandum totals	
Current and prior years . . . . .	GCURPRI
Current year only . . . . .	GCURONLY

**Combined Balance Sheet (B/S)**

	<u>Descriptor</u>
Reporting of commitments and contingencies	
No caption in balance sheet—NOTE DISCLOSURE ONLY . . . . .	GNOCAPBS
Caption between liabilities and equity section . . . . .	GBETLEQU
Reservation of fund balance or retained earnings . . . . .	GRESRVD
Caption between equity total and (total liability and equity) . . . . .	GBETTOT
Other (that is, caption following total liabilities and equity caption, part of total liabilities) . . . . .	GFOLTTLS

**Combined Statements of Revenues, Expenditures and Changes in Fund Balances—  
All Governmental Fund Types and Expendable Trusts (RECFB)**

	<u>Descriptor</u>
Expenditures grouped by—	
Program or function . . . . .	GPROFUNC
Character (current, capital, debt) . . . . .	GXPNDCHAR
Organization or department . . . . .	GXPNDPPT
Other financing sources (uses):	
Separately identified . . . . .	GOTHSRCUSE

**Auditor's Report on General Purpose Financial Statements (REPR)**

	<u>Descriptor</u>
Type of auditor examining f/s	
Certified Public Accountant . . . . .	GCRTFDPBL
State audit agency . . . . .	GGOVTAGCY
Municipal accountant . . . . .	GMUNIAUD
Other . . . . .	GOTHRAUD
More than one auditor	
Two or more CPA firms . . . . .	GMNYPBLC
Government auditor and CPA firm . . . . .	GGOVTPBLC
Report of secondary auditor . . . . .	GSNDAUD
F/S covered by auditor's opinion	
Combined financial statements (general purpose F/S) . . . . .	GGPFSONLY
General purpose, combining, individual funds, and account groups F/S . . . . .	GALLTYP
General purpose and combining F/S . . . . .	GGPFSCBNG
Other . . . . .	GOTHCVRG
Auditing standards employed	
Generally accepted . . . . .	GGAAS
State standards . . . . .	GSTSTD
Single Audit and A-128 . . . . .	GSNGLACT
GAO financial and compliance (generally accepted government) . . . . .	GGAOSTDS
Other audit criteria . . . . .	GOTHCRIT
No audit performed . . . . .	GNOAUD

	<u>Descriptor</u>
Accounting principles used in f/s	
Generally accepted .....	GGNLYACC
State government .....	GSTGPRIN
Some other basis .....	GOTHBASIS
Nature of auditor's opinion	
Unqualified .....	GUNQUAL
Qualified	
Departure from GAAP (Requires additional descriptor) .....	GGAAP
Accounting principles not consistently applied .....	GCONST
Litigation .....	GLITGAT
Scope limitation .....	GSCOP
Contingent liabilities other than litigation .....	GCONTG
Informative disclosure .....	GINFDIS
Disclaimer .....	GDISCL
Adverse .....	GADVER
Reliance on other auditor .....	GRELYAUD
Change of auditor .....	GCHGAUD
More than one report	
Same auditor only .....	GMNYREP
[Note: <b>GMNYREP</b> will be given to each report. <b>INFDIS</b> may also be given to each report. Auditing standards employed will be given only if different from first report. No other descriptors should be given.]	

#### **Additional Descriptors for Departure From GGAAP**

	<u>Descriptor</u>
Fixed asset accounting or valuation .....	GPROP
Method of accruing revenues or expenditures .....	GREVREC
Pension .....	GPENS
Cash basis of accounting .....	GCASH
Incomplete f/s (identify with additional <b>GGAAP</b> descriptor, if possible) .....	GNCOMPLE
Compensated absences .....	GABSCOMP
Reporting entity .....	GENTYP
Inventory valuation accounting .....	GINVENT
Interest capitalization .....	GINTCAP
Internal control limitation .....	GINTCONT
Other departure from GAAP .....	GOTHDEPT

#### **Schedule of Federal Financial Assistance (FDLASST)**

	<u>Descriptor</u>
Basis of accounting	
Cash .....	GCASH
Accrual .....	GACRU
Modified accrual .....	GMOACRU
Basis not disclosed/determined .....	GBASND
Tabular presentation	
Different columns for revenues and expenditures .....	GDIFCOL
Prior year data .....	GPRIYRD

<b>Auditor's Report on Compliance (RPT/CMPL)</b>	<u><b>Descriptor</b></u>
More than one report	
Same auditor . . . . .	GMNYREP
[Note: <b>GMNYREP</b> must be given to each report.]	
More than one auditor	
Two or more CPA firms . . . . .	GMNYPBLC
Govt. auditor and CPA firm . . . . .	GGOVTPBLC
Report of secondary auditor . . . . .	GSNDAUD
Nature of auditor's opinion	
Reliance on other auditor . . . . .	GRELYAUD

<b>Schedule of Compliance Findings and Questioned Costs (FNDG)</b>	<u><b>Descriptor</b></u>
Program or agency	
Department of Education . . . . .	GDEDU
Department of Agriculture . . . . .	GDAGR
REA Policy on Audits . . . . .	GDAGR
Women, Infants and Children . . . . .	GDAGR
Farmers Home Administration . . . . .	GDAGR
Department of Commerce . . . . .	GDCOM
Department of Energy . . . . .	GDENE
Health and Human Services . . . . .	GDHEA
Housing and Urban Development . . . . .	GDHOU
Department of the Interior . . . . .	GDINT
Department of Justice . . . . .	GDJUS
Department of Labor . . . . .	GDLAB
Department of Transportation . . . . .	GDTRA
Department of the Treasury and Revenue Sharing . . . . .	GDTRE
Community Services Administrator . . . . .	GDCOSE
Environmental Protection Agency . . . . .	GDENV
Criteria for reporting a finding	
Unallowable costs . . . . .	GCUNA
Undocumented costs . . . . .	GCUDC
Unapproved costs . . . . .	GCUNPP
Unreasonable costs . . . . .	GCUNR
Davis-Bacon Act . . . . .	GCDBA
Discrimination/Affirmative Action (DBE, MBE) . . . . .	GCVLRGHT
Untimely reporting/reporting requirements . . . . .	GCTIM
Improper cutoffs . . . . .	GCIMP
Mathematical errors/erroneous reporting . . . . .	GCMAT
Cash/financial management . . . . .	GCCAS
Other . . . . .	GCOTH

<b>Auditor's Report on Internal Controls (RPT/IC)</b>	<u><b>Descriptor</b></u>
More than one report	
Same auditor . . . . .	GMNYREP
[Note: <b>GMNYREP</b> must be given to each report.]	



	<u>Descriptor</u>
More than one auditor	
Two or more CPA firms .....	GMNYPBLC
Govt. auditor and CPA firm .....	GGOVTPBLC
Report of secondary auditor .....	GSNDAUD
Nature of auditor's opinion	
Reliance on other auditor .....	GRELYAUD

## Footnotes

### *Disclosure of Pension Plans*

	<u>Descriptor</u>
Types of pension plans .....	GPENS
Single employer .....	GSNGLPLN
Multiple employer—cost sharing .....	GMLTIPLNC
Multiple employer—agent .....	GMLTIPLNA
Multiple employer—cost basis not disclosed .....	GMULTNDET
Type of plan not determinable .....	GPENTYPND
Nature of pension plan	
Defined benefit .....	GDEFBEN
Defined contribution .....	GDEFCON
Not determinable .....	GNTDTRMN
Actuarial cost method for funding purposes	
Entry age normal cost method .....	GNTRNORM
Entry age actuarial cost method .....	GNTRACT
Aggregate actuarial cost method .....	GAGGRACT
Frozen entry age actuarial cost method .....	GFZTRACT
Projection of actuarial cost/forecast method .....	GPRJACT
Unit credit actuarial cost—projected .....	GUCRCTP
Unit credit actuarial cost—not projected .....	GUCRCTNP
Individual-level actuarial cost .....	GINDACT
Others .....	GOTHMTH
Not disclosed .....	GMTHNTDIS
Basis of investment assets	
Cost, which approximates market value .....	GCSTAPRX
Cost .....	GCST
Market value .....	GMKTVL
Other basis .....	GOTHBAS
Lower of cost or market .....	GLCMKT
Cost based (equity securities at cost; fixed-income securities at amortized cost) .....	GCSTBSED
Not disclosed .....	GBASNTDIS
Plan and net assets disclosure	
Plan net assets available for benefits .....	GNAAVAIL
Actuarial present value of vested accumulated plan benefits .....	GPVVSTD
Actuarial present value of nonvested accumulated plan benefits .....	GPVNVSTD
Actuarial present value of both vested and nonvested accumulated plan benefits .....	GPVVSTD, GPVNVSTD
Actuarial present value of credited projected benefits .....	GPVCRPB

	<u>Descriptor</u>
Not disclosed . . . . .	GNANTDIS
Discount rate method	
Expected rate of return on present and future assets . . . . .	GEXPROR
Current settlement rate . . . . .	GCSTLMNT
Others . . . . .	GOTHRATE
Not disclosed . . . . .	GRTNTDIS

*Origins of Liabilities for Claims and Contingent Liabilities*

	<u>Descriptor</u>
Possible disallowance or dispute related to federal contract or grant . . . . .	GFDLCON
Discrimination/civil rights . . . . .	GCVLRGHT
Action of governmental personnel (that is, accident by government driver, malpractice by government doctor, or improper arrest) . . . . .	GGVTEMPL
Claim for property damage . . . . .	GPRPDMG
Disputes—tax levies or assessed valuations . . . . .	GTXDSPU
Contract dispute . . . . .	GCONDSPU
Lawsuits	
Specified . . . . .	GSPFIED
Unspecified . . . . .	GUNSPFIED
Compensation claim . . . . .	GCOMPENCL
Unemployment liability . . . . .	GUNMPLIA
Other description . . . . .	GOTHORGN

[Note: These descriptors should be given with **GLITGAT** or **GCOMMT**.]

*Reasons Cited for Excluding Governmental Functions and Organizations From Disclosures Related to Entities Reported in the Financial Statements*

	<u>Descriptor</u>
Not controlled by the reporting entity . . . . .	GNCONTRL
Management not appointed or controlled by the reporting entity . . . . .	GMGTNAPT
Discrete government entity apart from the reporting entity . . . . .	GSEPENT
Budgets not approved by the reporting entity . . . . .	GBDGNAPR
Not funded by the reporting entity . . . . .	GNTFNDED
Not a significant influence on operations . . . . .	GNOINFLU
Not accountable for fiscal matters . . . . .	GNTACTBL
No oversight authority . . . . .	GOVRSIHT
Not administered by oversight authority . . . . .	GNTADM
Not financially interdependent . . . . .	GNTDEPND
Not part of taxing authority . . . . .	GNOTXATH
Not within scope of public service entity . . . . .	GNTWISCOP
Joint venture . . . . .	GJNTVENT
Privately owned . . . . .	GPVTOWND
Other reasons . . . . .	GOTHREAS
Reasons not disclosed . . . . .	GXCLNTDIS

[Note: These descriptions should be given with **GENTYP**.]

*Other Footnote Descriptors Alphabetically Arranged by Concept*

	<u>Descriptor</u>
Basis of accounting . . . . .	GACCTBAS
Budget vs. GAAP reconciliation . . . . .	GBDGREC
Budgetary accounting . . . . .	GBUDGAC
Capital lease—lessor (sales type) . . . . .	GSTLSEOR
Capital leases—lessee . . . . .	GCAPLSE
Capitalization of interest . . . . .	GINTCAP
Change in accounting estimate . . . . .	GACCTEST
Change in accounting principle . . . . .	GACCTPRN
Change in fiscal year . . . . .	GFYCHG
Commitments and contingencies (can be given in addition to <b>GLITGAT</b> ) . . . . .	GCOMMT
Compensated absences . . . . .	GCOMPEN, GABSCOMP
Compensation and special termination benefits . . . . .	GCOMPEN
Debt disclosure (See Addendum) . . . . .	GDEBTAC
Defeasance of debt . . . . .	GDEFEZE
Deferred charges and credits (unidentified) . . . . .	GDEFERC
Deficit fund balances or retained earnings of individual funds . . . . .	GNEGBAL
Depreciation . . . . .	GDEPREC
Depreciation not recorded . . . . .	GNODEPREC
Designation reported as part of unreserved fund balance . . . . .	GDESUFB
Discontinued operations . . . . .	GDISCOP
Discrete entity separate summary of significant accounting policies . . . . .	GDSCRET
Encumbrances . . . . .	GNCUMBR
Excess of expenditures over appropriations in individual funds . . . . .	GXCES
Extraordinary items . . . . .	GXTRA
Fund accounting . . . . .	GFNDACCT
Guaranteed debt . . . . .	GCOMMT, GDEBTAC
Inconsistencies caused by transactions between component units having different fiscal year ends . . . . .	GFYDIF
Intangible assets . . . . .	GINTANG
Interfund payables and receivables . . . . .	GINTFND
Interfund transfers . . . . .	GTRNSFR
Internal control . . . . .	GINTCONT
Inventory . . . . .	GINVENT
Investments, including repurchase agreements (excludes cash equivalents) . . . . .	GNVSTMT
Joint ventures . . . . .	GJNTVEN
Leveraged leases . . . . .	GLEVRGL
Line-of-business/Major customer . . . . .	GLOBU
Litigation . . . . .	GLITGAT
Long-term debt (See Addendum) . . . . .	GLGTRM
Long-term construction commitments . . . . .	GCONTR
Operating lease—lessee . . . . .	GOPLSE
Operating lease—lessor . . . . .	GOPLSR
Pension or retirement plans . . . . .	GPENS
Prior period adjustments . . . . .	GPRIPER
Property or fixed asset policy . . . . .	GPROP
Property taxes . . . . .	GPTXREV

	<u>Descriptor</u>
Receivables . . . . .	GREC
Reclassifications . . . . .	GRECLAS
Related party transactions (other than governmental entity) . . . . .	GINSIDR
Relationship of component unit to oversight unit in separately issued component unit financial report or statement . . . . .	GSEPCUFR
Reporting entity . . . . .	GENTYP
Revenue recognition . . . . .	GREVREC
Safe-harbor leases . . . . .	GPROP, GCONTR, GREVREC, GSTLSEOR
Subsequent event . . . . .	GSUBEV
Summary of significant accounting policies . . . . .	GPRACT
Supplementary information . . . . .	GSUPINF
Total columns . . . . .	GTOTCLMN
Violations of legal provisions . . . . .	GVIOPROV

*Other Footnote Descriptors Alphabetically Arranged by Descriptor*

<u>Descriptor</u>	<u>Concept</u>
GABSCOMP . . . . .	Compensated absences
GACCTBAS . . . . .	Basis of accounting
GACCTEST . . . . .	Change in accounting estimate
GACCTPRN . . . . .	Change in accounting principle
GADVREF . . . . .	Advance refunding of debt or early extinguishment
GBDGREC . . . . .	Budget vs. GAAP reconciliation
GBUDGAC . . . . .	Budgetary accounting
GCAPLSE . . . . .	Capital leases—lessee
GCOMMT . . . . .	Commitments and contingencies (can be given in addition to <b>GLITGAT</b> )
GCOMPEN . . . . .	Compensation and special termination benefits
GCONTR . . . . .	Long-term construction commitments
GDEBTAC . . . . .	Debt disclosure (see addendum)
GDEFERC . . . . .	Deferred charges and credits (unidentified)
GDEFEZE . . . . .	Defeasance of debt
GDEPREC . . . . .	Depreciation
GDESUFB . . . . .	Designation reported as part of unreserved fund balance
GDISCOP . . . . .	Discontinued operations
GDSCRET . . . . .	Discrete entity separate summary of significant accounting policies
GENTYP . . . . .	Reporting entity
GFNDACCT . . . . .	Fund accounting
GFYCHG . . . . .	Change in fiscal year
GFYDIF . . . . .	Inconsistencies caused by transactions between component units having different fiscal year-ends
GINSIDR . . . . .	Related party transactions (other than governmental entity)
GINTANG . . . . .	Intangible assets
GINTCAP . . . . .	Capitalization of interest
GINTCONT . . . . .	Internal control
GINTFND . . . . .	Interfund payables and receivables
GINVENT . . . . .	Inventory
GJNTVEN . . . . .	Joint ventures

<u>Descriptor</u>	<u>Concept</u>
GLEVRGL . . . . .	Leveraged leases
GLGTRM . . . . .	Long-term debt (see addendum)
GLITGAT . . . . .	Litigation
GLOBU . . . . .	Line-of-business/major customer
GNCUMBR . . . . .	Encumbrances
GNEGBAL . . . . .	Deficit fund balances or retained earnings of individual funds
GNODEPREC . . . . .	Depreciation not recorded
GNVSTMT . . . . .	Investments, including repurchase agreements (excludes cash equivalents)
GOPLSE . . . . .	Operating lease—lessee
GOPLSR . . . . .	Operating lease—lessor
GPENS . . . . .	Pension or retirement plans
GPRACT . . . . .	Summary of significant accounting policies
GPRIPER . . . . .	Prior period adjustments
GPROP . . . . .	Property or fixed asset policy
GPTXREV . . . . .	Property taxes
GREC . . . . .	Receivables
GRECLAS . . . . .	Reclassifications
GREVREC . . . . .	Revenue recognition
GSEPCUFR . . . . .	Relationship of component unit to oversight unit in separately issued component unit financial report or statement
GSTLSEOR . . . . .	Capital lease—lessor (sales type)
GSUBEV . . . . .	Subsequent event
GSUPINF . . . . .	Supplementary information
GTOTCLMN . . . . .	Total columns
GTRANSFR . . . . .	Interfund transfers
GVIOPROV . . . . .	Violations of legal provisions
GXCES . . . . .	Excess of expenditures over appropriations in individual funds
GXTRA . . . . .	Extraordinary items

**Addendum: Application of Long-Term Debt (GLGTRM)**

In Summary of Significant Accounting Policies (**GPRACT**) footnote:

Given for accountability of long-term debt. For example, long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group.

If the actual long-term debt is described, **GDEBTAC** is also given. For example, long-term debt payable as of June 30, 1986, consisted of \$500,000 1980 Sewer System general obligation bonds maturing in 1996.

In other footnotes, **GLGTRM** will be given only in addition to **GDEBTAC** when the actual long-term liability is described (as in preceding paragraph).

[*Important Note:* **GLGTRM** can be given once in the **PRACT** footnote and only once for all remaining footnotes (usually given in the first long-term debt footnote).]

**APPENDIX B**  
**SINGLE AUDIT ACT OF 1984**  
**(P.L. 98-502)**

**Short Title; Purpose**

Section 1. (a) This Act may be cited as the "Single Audit Act of 1984".

(b) It is the purpose of this Act—

- (1) to improve the financial management of State and local governments with respect to Federal financial assistance programs;
- (2) to establish uniform requirements for audits of Federal financial assistance provided to State and local governments;
- (3) to promote the efficient and effective use of audit resources; and
- (4) to ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to chapter 75 of title 31, United States Code (as added by this Act).

**Amendment To Title 31, United States Code**

Sec. 2 (a) Subtitle V of title 31, United States Code, is amended by adding at the end thereof the following new chapter:

**Chapter 75—Requirements For Single Audits**

"Sec.

"7501. Definitions.

"7502. Audit requirements; exemptions.

"7503. Relation to other audit requirements.

"7504. Cognizant agency responsibilities.

"7505. Regulations.

"7506. Monitoring responsibilities of the Comptroller General.

"7507. Effective date; report.

"§ 7501. Definitions

"As used in this chapter, the term—

"(1) 'cognizant agency' means a Federal agency which is assigned by the Director with the responsibility for implementing the requirements of this chapter with respect to a particular State or local government.

"(2) 'Comptroller General' means the Comptroller General of the United States.

"(3) 'Director' means the Director of the Office of Management and Budget.

"(4) 'Federal financial assistance' means assistance provided by a Federal agency in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations, but does not include direct Federal cash assistance to individuals.

“(5) ‘Federal agency’ has the same meaning as the term ‘agency’ in section 551(1) of title 5, United States Code.

“(6) ‘generally accepted accounting principles’ has the meaning specified in the generally accepted government auditing standards.

“(7) ‘generally accepted government auditing standards’ means the standards for audit of governmental organizations, programs, activities, and functions, issued by the Comptroller General.

“(8) ‘independent auditor’ means—

“(A) an external State or local government auditor who meets the independence standards included in generally accepted government auditing standards, or

“(B) a public accountant who meets such independence standards.

“(9) ‘internal controls’ means the plan of organization and methods and procedures adopted by management to ensure that—

“(A) resource use is consistent with laws, regulations, and policies;

“(B) resources are safeguarded against waste, loss, and misuse; and

“(C) reliable data are obtained, maintained, and fairly disclosed in reports.

“(10) ‘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.

“(11) ‘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.

“(12) ‘major Federal assistance program’ means any program for which total expenditures of Federal financial assistance by the State or local government during the applicable year exceed—

“(A) \$20,000,000 in the case of a State or local government for which such total expenditures for all programs exceed \$7,000,000,000;

“(B) \$19,000,000 in the case of a State or local government for which such total expenditures for all programs exceed \$6,000,000,000 but are less than or equal to \$7,000,000,000;

“(C) \$16,000,000 in the case of a State or local government for which such total expenditures for all programs exceed \$5,000,000,000 but are less than or equal to \$6,000,000,000;

“(D) \$13,000,000 in the case of a State or local government for which such total expenditures for all programs exceed \$4,000,000,000 but are less than or equal to \$5,000,000,000;

“(E) \$10,000,000 in the case of a State or local government for which such total expenditures for all programs exceed \$3,000,000,000 but are less than or equal to \$4,000,000,000;

“(F) \$7,000,000 in the case of a State or local government for which such total expenditures for all programs exceed \$2,000,000,000 but are less than or equal to \$3,000,000,000;

“(G) \$4,000,000 in the case of a State or local government for which such total expenditures for all programs exceed \$1,000,000,000 but are less than or equal to \$2,000,000,000;

“(H) \$3,000,000 in the case of a State or local government for which such total expenditures for all programs exceed \$100,000,000 but are less than or equal to \$1,000,000,000; and

“(I) the larger of (i) \$300,000, or (ii) 3 percent of such total expenditures for all programs, in the case of a State or local government for which such total expenditures for all programs exceed \$100,000 but are less than or equal to \$100,000,000.

“(13) ‘public accountants’ means those individuals who meet the qualification standards included in generally accepted government auditing standards for personnel performing government audits.

“(14) ‘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 Pacific Islands, any instrumentality thereof, any multi-State, regional, or interstate entity which has governmental functions, and any Indian tribe.

“(15) ‘subrecipient’ means any person or government department, agency, or establishment that receives Federal financial assistance through a State or local government, but does not include an individual that receives such assistance.

#### “§ 7502. Audit requirements; exemptions

“(a)(1)(A) Each State and local government which receives a total amount of Federal financial assistance equal to or in excess of \$100,000 in any fiscal year of such government shall have an audit made for such fiscal year in accordance with the requirements of this chapter and the requirements of the regulations prescribed pursuant to section 7505 of this title.

“(B) Each State and local government that receives a total amount of Federal financial assistance which is equal to or in excess of \$25,000 but less than \$100,000 in any fiscal year of such government shall—

“(i) have an audit made for such fiscal year in accordance with the requirements of this chapter and the requirements of the regulations prescribed pursuant to section 7505 of this title; or

“(ii) comply with any applicable requirements concerning financial or financial and compliance audits contained in Federal statutes and regulations governing programs under which such Federal financial assistance is provided to that government.

“(C) Each State and local government that receives a total amount of Federal financial assistance which is less than \$25,000 in any fiscal year of



such government shall be exempt for such fiscal year from compliance with—

“(i) the audit requirements of this chapter; and

“(ii) any applicable requirements concerning financial or financial and compliance audits contained in Federal statutes and regulations governing programs under which such Federal financial assistance is provided to that government.

The provisions of clause (ii) of this subparagraph do not exempt a State or local government from compliance with any provision of a Federal statute or regulation that requires such government to maintain records concerning Federal financial assistance provided to such government or that permits a Federal agency or the Comptroller General access to such records.

“(2) For purposes of this section, a State or local government shall be considered to receive Federal financial assistance whether such assistance is received directly from a Federal agency or indirectly through another State or local government.

“(b)(1) Except as provided in paragraphs (2) and (3), audits conducted pursuant to this chapter shall be conducted annually.

“(2) If a State or local government is required—

“(A) by constitution or statute, as in effect on the date of enactment of this chapter, or

“(B) by administrative rules, regulations, guidelines, standards, or policies, as in effect on such date,

to conduct its audits less frequently than annually, the cognizant agency for such government shall, upon request of such government, permit the government to conduct its audits pursuant to this chapter biennially, except as provided in paragraph (3). Such audits shall cover both years within the biennial period.

“(3) Any State or local government that is permitted, under clause (B) of paragraph (2), to conduct its audits pursuant to this chapter biennially by reason of the requirements of a rule, regulation, guideline, standard, or policy, shall, for any of its fiscal years beginning after December 31, 1986, conduct such audits annually unless such State or local government codifies a requirement for biennial audits in its constitution or statutes by January 1, 1987. Audits conducted biennially under the provisions of this paragraph shall cover both years within the biennial period.

“(c) Each audit conducted pursuant to subsection (a) shall be conducted by an independent auditor in accordance with generally accepted government auditing standards, except that, for the purposes of this chapter, such standards shall not be construed to require economy and efficiency audits, program results audits, or program evaluations.

“(d)(1) Each audit conducted pursuant to subsection (a) for any fiscal year shall cover the entire State or local government’s operations except that, at the option of such government—

“(A) such audit may, except as provided in paragraph (5), cover only each department, agency, or establishment which received, expended, or otherwise administered Federal financial assistance during such fiscal year; and

“(B) such audit may exclude public hospitals and public colleges and universities.

“(2) Each such audit shall encompass the entirety of the financial operations of such government or of such department, agency, or establishment, whichever is applicable, and shall determine and report whether—

“(A)(i) the financial statements of the government, department, agency, or establishment present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles; and

“(ii) the government, department, agency, or establishment has complied with laws and regulations that may have a material effect upon the financial statements;

“(B) the government, department, agency, or establishment has internal control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations; and

“(C) the government, department, agency, or establishment has complied with laws and regulations that may have a material effect upon each major Federal assistance program.

In complying with the requirements of subparagraph (C), the independent auditor shall select and test a representative number of transactions from each major Federal assistance program.

“(3) Transactions selected from Federal assistance programs, other than major Federal assistance programs, pursuant to the requirements of paragraphs (2)(A) and (2)(B) shall be tested for compliance with Federal laws and regulations that apply to such transactions. Any noncompliance found in such transactions by the independent auditor in making determinations required by this paragraph shall be reported.

“(4) The number of transactions selected and tested under paragraphs (2) and (3), the selection and testing of such transactions, and the determinations required by such paragraphs shall be based on the professional judgment of the independent auditor.

“(5) Each State or local government which, in any fiscal year of such government, receives directly from the Department of the Treasury a total of \$25,000 or more under chapter 67 of this title (relating to general revenue sharing) and which is required to conduct an audit pursuant to this chapter for such fiscal year shall not have the option provided by paragraph (1)(A) for such fiscal year.

“(6) A series of audits of individual departments, agencies, and establishments for the same fiscal year may be considered to be an audit for the purpose of this chapter.

“(e)(1) Each State and local government subject to the audit requirements of this chapter, which receives Federal financial assistance and provides \$25,000 or more of such assistance in any fiscal year to a subrecipient, shall—

“(A) if the subrecipient conducts an audit in accordance with the requirements of this chapter, review such audit and ensure that prompt and appropriate corrective action is taken on instances of material noncom-

pliance with applicable laws and regulations with respect to Federal financial assistance provided to the subrecipient by the State or local government; or

“(B) if the subrecipient does not conduct an audit in accordance with the requirements of this chapter—

“(i) determine whether the expenditures of Federal financial assistance provided to the subrecipient by the State or local government are in accordance with applicable laws and regulations; and

“(ii) ensure that prompt and appropriate corrective action is taken on instances of material noncompliance with applicable laws and regulations with respect to Federal financial assistance provided to the subrecipient by the State or local government.

“(2) Each such State and local government shall require each subrecipient of Federal assistance through such government to permit, as a condition of receiving funds from such assistance, the independent auditor of the State or local government to have such access to the subrecipient’s records and financial statements as may be necessary for the State or local government to comply with this chapter.

“(f) The report made on any audit conducted pursuant to this section shall, within thirty days after completion of such report, be transmitted to the appropriate Federal officials and made available by the State or local government for public inspection.

(g) If an audit conducted pursuant to this section finds any material noncompliance with applicable laws and regulations by, or material weakness in the internal controls of, the State or local government with respect to the matters described in subsection (d)(2), the State or local government shall submit to appropriate Federal officials a plan for corrective action to eliminate such material noncompliance or weakness or a statement describing the reasons that corrective action is not necessary. Such plan shall be consistent with the audit resolution standard promulgated by the Comptroller General (as part of the standards for internal controls in the Federal Government) pursuant to section 3512(b) of this title.

#### “§ 7503. Relation to other audit requirements

“(a) An audit conducted in accordance with this chapter shall be in lieu of any financial or financial and compliance audit of an individual Federal assistance program which a State or local government is required to conduct under any other Federal law or regulation. To the extent that such audit provides a Federal agency with the information it requires to carry out its responsibilities under Federal law or regulation, a Federal agency shall rely upon and use that information and plan and conduct its own audits accordingly in order to avoid a duplication of effort.

“(b) Notwithstanding subsection (a), a Federal agency shall conduct any additional audits which are necessary to carry out its responsibilities under Federal law or regulation. The provisions of this chapter do not authorize any State or local government (or subrecipient thereof) to constrain, in any manner, such agency from carrying out such additional audits.

“(c) The provisions of this chapter do not limit the authority of Federal agencies to conduct, or enter into contracts for the conduct of, audits and evaluations of Federal financial assistance programs, nor limit the authority of any Federal agency Inspector General or other Federal audit official.

“(d) Subsection (a) shall apply to a State or local government which conducts an audit in accordance with this chapter even though it is not required by section 7502(a) to conduct such audit.

“(e) A Federal agency that performs or contracts for audits in addition to the audits conducted by recipients pursuant to this chapter shall, consistent with other applicable law, arrange for funding the cost of such additional audits. Such additional audits include economy and efficiency audits, program results audits, and program evaluations.

#### “§ 7504. Cognizant agency responsibilities

“(a) The Director shall designate cognizant agencies for audits conducted pursuant to this chapter.

“(b) A cognizant agency shall—

“(1) ensure that audits are made in a timely manner and in accordance with the requirements of this chapter;

“(2) ensure that the audit reports and corrective action plans made pursuant to section 7502 of this title are transmitted to the appropriate Federal officials; and

“(3)(A) coordinate, to the extent practicable, audits done by or under contract with Federal agencies that are in addition to the audits conducted pursuant to this chapter; and (B) ensure that such additional audits build upon the audits conducted pursuant to this chapter.

#### “§ 7505. Regulations

“(a) The Director, after consultation with the Comptroller General and appropriate Federal, State, and local government officials, shall prescribe policies, procedures, and guidelines to implement this chapter. Each Federal agency shall promulgate such amendments to its regulations as may be necessary to conform such regulations to the requirements of this chapter and of such policies, procedures, and guidelines.

“(b)(1) The policies, procedures, and guidelines prescribed pursuant to subsection (a) shall include criteria for determining the appropriate charges to programs of Federal financial assistance for the cost of audits. Such criteria shall prohibit a State or local government which is required to conduct an audit pursuant to this chapter from charging to any such program (A) the cost of any financial or financial and compliance audit which is not conducted in accordance with this chapter, and (B) more than a reasonable proportionate share of the cost of any such audit that is conducted in accordance with this chapter.

“(2) The criteria prescribed pursuant to paragraph (1) shall not, in the absence of documentation demonstrating a higher actual cost, permit (A) the ratio of (i) the total charges by a government to Federal financial assist-

ance programs for the cost of audits performed pursuant to this chapter, to (ii) the total cost of such audits, to exceed (B) the ratio of (i) total Federal financial assistance expended by such government during the applicable fiscal year or years, to (ii) such government's total expenditures during such fiscal year or years.

“(c) Such policies, procedures, and guidelines shall include such provisions as may be necessary to ensure that small business concerns and business concerns owned and controlled by socially and economically disadvantaged individuals will have the opportunity to participate in the performance of contracts awarded to fulfill the audit requirements of this chapter.

“§ 7506. Monitoring responsibilities of the Comptroller General

“The Comptroller General shall review provisions requiring financial or financial and compliance audits of recipients of Federal assistance that are contained in bills and resolutions reported by the committees of the Senate and the House of Representatives. If the Comptroller General determines that a bill or resolution contains provisions that are inconsistent with the requirements of this chapter, the Comptroller General shall, at the earliest practicable date, notify in writing—

“(1) the committee that reported such bill or resolution; and

“(2)(A) the Committee on Governmental Affairs of the Senate (in the case of a bill or resolution reported by a committee of the Senate); or

“(B) the Committee on Government Operations of the House of Representatives (in the case of a bill or resolution reported by a committee of the House of Representatives).

“§ 7507. Effective date; report

“(a) This chapter shall apply to any State or local government with respect to any of its fiscal years which begin after December 31, 1984.

“(b) The Director, on or before May 1, 1987, and annually thereafter, shall submit to each House of Congress a report on operations under this chapter. Each such report shall specifically identify each Federal agency or State or local government which is failing to comply with this chapter.”

(b) The provisions of this Act shall not diminish or otherwise affect the authority of the Tennessee Valley Authority to conduct its own audits of any matter involving funds disbursed by the Tennessee Valley Authority.

(c) The table of chapters for subtitle V of title 31, United States Code, is amended by inserting after the item relating to chapter 73 the following new item:

“75. Requirements for Single Audits . . . . . 7501”.

**APPENDIX C**  
**OMB CIRCULAR A-128:**  
**AUDITS OF STATE AND LOCAL GOVERNMENTS**

April 12, 1985

**TO THE HEADS OF EXECUTIVE DEPARTMENTS AND  
ESTABLISHMENTS**

**SUBJECT: Audits of State and Local Governments.**

1. *Purpose.* This Circular is issued pursuant to the Single Audit Act of 1984, P.L. 98-502. It establishes audit requirements for State and Local governments that receive Federal aid, and defines Federal responsibilities for implementing and monitoring those requirements.

2. *Supersession.* The Circular supersedes Attachment P, "Audit Requirements," of Circular A-102, "Uniform requirements for grants to State and local governments."

3. *Background.* The Single Audit Act builds upon earlier efforts to improve audits of Federal aid programs. The Act requires State or local governments that receive \$100,000 or more a year in Federal funds to have an audit made for that year. Section 7505 of the Act requires the Director of the Office of Management and Budget to prescribe policies, procedures and guidelines to implement the Act. It specifies that the Director shall designate "cognizant" Federal agencies, determine criteria for making appropriate charges to Federal programs for the cost of audits, and provide procedures to assure that small firms or firms owned and controlled by disadvantaged individuals have the opportunity to participate in contracts for single audits.

4. *Policy.* The Single Audit Act requires the following:

a. State or local governments that receive \$100,000 or more a year in Federal financial assistance shall have an audit made in accordance with this Circular.

b. State or local governments that receive between \$25,000 and \$100,000 a year shall have an audit made in accordance with this Circular, or in accordance with Federal laws and regulations governing the programs they participate in.

c. State or local governments that receive less than \$25,000 a year shall be exempt from compliance with the Act and other Federal audit requirements. These State and local governments shall be governed by audit requirements prescribed by State or local law or regulation.

d. Nothing in this paragraph exempts State or local governments from maintaining records of Federal financial assistance or from providing access

to such records to Federal agencies, as provided for in Federal law or in Circular A-102, "Uniform requirements for grants to State or local governments."

5. *Definitions.* For the purposes of this Circular the following definitions from the Single Audit Act apply:

a. "Cognizant agency" means the Federal agency assigned by the Office of Management and Budget to carry out the responsibilities described in paragraph 11 of this Circular.

b. "Federal financial assistance" means assistance provided by a Federal agency in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations, but does not include direct Federal cash assistance to individuals. It includes awards received directly from Federal agencies, or indirectly through other units of State and local governments.

c. "Federal agency" has the same meaning as the term 'agency' in section 551(1) of Title 5, United States Code.

d. "Generally accepted accounting principles" has the meaning specified in the generally accepted government auditing standards.

e. "Generally accepted government auditing standards" means the *Standards for Audit of Government Organizations, Programs, Activities, and Functions*, developed by the Comptroller General, dated February 27, 1981.

f. "Independent auditor" means:

(1) a State or local government auditor who meets the independence standards specified in generally accepted government auditing standards; or

(2) a public accountant who meets such independence standards.

g. "Internal controls" means the plan of organization and methods and procedures adopted by management to ensure that:

(1) resource use is consistent with laws, regulations, and policies;

(2) resources are safeguarded against waste, loss, and misuse; and

(3) reliable data are obtained, maintained, and fairly disclosed in reports.

h. "Indian tribe" means any Indian tribe, band, nations, or other organized group or community, including any Alaskan Native village or regional or village corporations (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.

i. "Local government" means any unit of local government within a State, including a county, a 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.

j. "Major Federal Assistance Program," as defined by P.L. 98-502, is described in the Attachment to this Circular.

k. "Public accountants" means those individuals who meet the qualification standards included in generally accepted government auditing standards for personnel performing government audits.

l. "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 Pacific Islands, any instrumentality thereof, and any multi-State, regional, or interstate entity that has governmental functions and any Indian tribe.

m. "Subrecipient" means any person or government department, agency, or establishment that receives Federal financial assistance to carry out a program through a State or local government, but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a direct recipient of Federal financial assistance.

6. *Scope of audit.* The Single Audit Act provides that:

a. The audit shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial and compliance audits.

b. The audit shall cover the entire operations of a State or local government or, at the option of that government, it may cover departments, agencies or establishments that received, expended, or otherwise administered Federal financial assistance during the year. However, if a State or local government receives \$25,000 or more in General Revenue Sharing Funds in a fiscal year, it shall have an audit of its entire operations. A series of audits of individual departments, agencies, and establishments for the same fiscal year may be considered a single audit.

c. Public hospitals and public colleges and universities may be excluded from State and local audits and the requirements of this Circular. However, if such entities are excluded, audits of these entities shall be made in accordance with statutory requirements and the provisions of Circular A-110, "Uniform requirements for grants to universities, hospitals, and other nonprofit organizations."

d. The auditor shall determine whether:

(1) the financial statements of the government; department, agency or establishment present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles;

(2) the organization has internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations; and

(3) the organization has complied with laws and regulations that may have material effect on its financial statements and on each major Federal assistance program.

7. *Frequency of audit.* Audits shall be made annually unless the State or local government has, by January 1, 1987, a constitutional or statutory requirement for less frequent audits. For those governments, the cogni-



zant agency shall permit biennial audits, covering both years, if the government so requests. It shall also honor requests for biennial audits by governments that have an administrative policy calling for audits less frequent than annual, but only for fiscal years beginning before January 1, 1987.

8. *Internal control and compliance reviews.* The Single Audit Act requires that the independent auditor determine and report on whether the organization has internal control systems to provide reasonable assurance that it is managing Federal assistance programs in compliance with applicable laws and regulations.

a. *Internal control review.* In order to provide this assurance the auditor must make a study and evaluation of internal control systems used in administering Federal assistance programs. The study and evaluation must be made whether or not the auditor intends to place reliance on such systems. As part of this review, the auditor shall:

(1) Test whether these internal control systems are functioning in accordance with prescribed procedures.

(2) Examine the recipient's system for monitoring subrecipients and obtaining and acting on subrecipient audit reports.

b. *Compliance review.* The law also requires the auditor to determine whether the organization has complied with laws and regulations that may have a material effect on each major Federal assistance program.

(1) In order to determine which major programs are to be tested for compliance, State and local governments shall identify in their accounts all Federal funds received and expended and the programs under which they were received. This shall include funds received directly from Federal agencies and through other State and local governments.

(2) The review must include the selection and testing of a representative number of charges from each major Federal assistance program. The selection and testing of transactions shall be based on the auditor's professional judgment considering such factors as the amount of expenditures for the program and the individual awards; the newness of the program or changes in its conditions; prior experience with the program, particularly as revealed in audits and other evaluations (e.g., inspections, program reviews); the extent to which the program is carried out through subrecipients; the extent to which the program contracts for goods or services; the level to which the program is already subject to program reviews or other forms of independent oversight; the adequacy of the controls for ensuring compliance; the expectation of adherence or lack of adherence to the applicable laws and regulations; and the potential impact of adverse findings.

(a) In making the test of transactions, the auditor shall determine whether:

—the amounts reported as expenditures were for allowable services, and

—the records show that those who received services or benefits were eligible to receive them.

(b) In addition to transaction testing, the auditor shall determine whether:

—matching requirements, levels of effort and earmarking limitations were met,

—Federal financial reports and claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared, and

—amounts claimed or used for matching were determined in accordance with OMB Circular A-87, “Cost principles for State and local governments,” and Attachment F of Circular A-102, “Uniform requirements for grants to State and local governments.”

(c) The principal compliance requirements of the largest Federal aid programs may be ascertained by referring to the *Compliance Supplement for Single Audits of State and Local Governments*, issued by OMB and available from the Government Printing Office. For those programs not covered in the Compliance Supplement, the auditor may ascertain compliance requirements by researching the statutes, regulations, and agreements governing individual programs.

(3) Transactions related to other Federal assistance programs that are selected in connection with examinations of financial statements and evaluations of internal controls shall be tested for compliance with Federal laws and regulations that apply to such transactions.

9. *Subrecipients.* State or local governments that receive Federal financial assistance and provide \$25,000 or more of it in a fiscal year to a subrecipient shall:

a. determine whether State or local subrecipients have met the audit requirements of this Circular and whether subrecipients covered by Circular A-110, “Uniform requirements for grants to universities, hospitals, and other nonprofit organizations,” have met that requirement;

b. determine whether the subrecipient spent Federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subrecipient made in accordance with this Circular, Circular A-110, or through other means (e.g., program reviews) if the subrecipient has not yet had such an audit;

c. ensure that appropriate corrective action is taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations;

d. consider whether subrecipient audits necessitate adjustment of the recipient’s own records; and

e. require each subrecipient to permit independent auditors to have access to the records and financial statements as necessary to comply with this Circular.

10. *Relation to other audit requirements.* The Single Audit Act provides that an audit made in accordance with this Circular shall be in lieu of any financial or financial compliance audit required under individual Federal assistance programs. To the extent that a single audit provides Federal

agencies with information and assurances they need to carry out their overall responsibilities, they shall rely upon and use such information. However, a Federal agency shall make any additional audits which are necessary to carry out its responsibilities under Federal law and regulation. Any additional Federal audit effort shall be planned and carried out in such a way as to avoid duplication.

a. The provisions of this Circular do not limit the authority of Federal agencies to make, or contract for audits and evaluations of Federal financial assistance programs, nor do they limit the authority of any Federal agency Inspector General or other Federal audit official.

b. The provisions of this Circular do not authorize any State or local government or subrecipient thereof to constrain Federal agencies, in any manner, from carrying out additional audits.

c. A Federal agency that makes or contracts for audits in addition to the audits made by recipients pursuant to this Circular shall, consistent with other applicable laws and regulations, arrange for funding the cost of such additional audits. Such additional audits include economy and efficiency audits, program results audits, and program evaluations.

11. *Cognizant agency responsibilities.* The Single Audit Act provides for cognizant Federal agencies to oversee the implementation of this Circular.

a. The Office of Management and Budget will assign cognizant agencies for States and their subdivisions and larger local governments and their subdivisions. Other Federal agencies may participate with an assigned cognizant agency, in order to fulfill the cognizance responsibilities. Smaller governments not assigned a cognizant agency will be under the general oversight of the Federal agency that provides them the most funds whether directly or indirectly.

b. A cognizant agency shall have the following responsibilities:

(1) Ensure that audits are made and reports are received in a timely manner and in accordance with the requirements of this Circular.

(2) Provide technical advice and liaison to State and local governments and independent auditors.

(3) Obtain or make quality control reviews of selected audits made by non-Federal audit organizations, and provide the results, when appropriate, to other interested organizations.

(4) Promptly inform other affected Federal agencies and appropriate Federal law enforcement officials of any reported illegal acts or irregularities. They should also inform State or local law enforcement and prosecuting authorities, if not advised by the recipient, of any violation of law within their jurisdiction.

(5) Advise the recipient of audits that have been found not to have met the requirements set forth in this Circular. In such instances, the recipient will be expected to work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency shall notify the recipient and Federal awarding agencies of the facts and make recommendations for followup action. Major inadequacies or repetitive sub-

standard performance of independent auditors shall be referred to appropriate professional bodies for disciplinary action.

(6) Coordinate, to the extent practicable, audits made by or for Federal agencies that are in addition to the audits made pursuant to this Circular; so that the additional audits build upon such audits.

(7) Oversee the resolution of audit findings that affect the programs of more than one agency.

12. *Illegal acts or irregularities.* If the auditor becomes aware of illegal acts or other irregularities, prompt notice shall be given to recipient management officials above the level of involvement. (See also paragraph 13(a) (3) below for the auditor's reporting responsibilities.) The recipient, in turn, shall promptly notify the cognizant agency of the illegal acts or irregularities and of proposed and actual actions, if any. Illegal acts and irregularities include such matters as conflicts of interest, falsification of records or reports, and misappropriations of funds or other assets.

13. *Audit reports.* Audit reports must be prepared at the completion of the audit. Reports serve many needs of State and local governments as well as meeting the requirements of the Single Audit Act.

a. The audit report shall state that the audit was made in accordance with the provisions of this Circular. The report shall be made up of at least:

(1) The auditor's report on financial statements and on a schedule of Federal assistance; the financial statements; and a schedule of Federal assistance, showing the total expenditures for each Federal assistance program as identified in the *Catalog of Federal Domestic Assistance*. Federal programs or grants that have not been assigned a catalog number shall be identified under the caption "other Federal assistance."

(2) The auditor's report on the study and evaluation of internal control systems must identify the organization's significant internal accounting controls, and those controls designed to provide reasonable assurance that Federal programs are being managed in compliance with laws and regulations. It must also identify the controls that were evaluated, the controls that were not evaluated, and the material weaknesses identified as a result of the evaluation.

(3) The auditor's report on compliance containing:

—a statement of positive assurance with respect to those items tested for compliance, including compliance with law and regulations pertaining to financial reports and claims for advances and reimbursements;

—negative assurance on those items not tested;

—a summary of all instances of noncompliance; and

—an identification of total amounts questioned, if any, for each Federal assistance award, as a result of noncompliance.

b. The three parts of the audit report may be bound into a single report, or presented at the same time as separate documents.

c. All fraud abuse, or illegal acts or indications of such acts, including all questioned costs found as the result of these acts that auditors become

aware of, should normally be covered in a separate written report submitted in accordance with paragraph 13f.

d. In addition to the audit report, the recipient shall provide comments on the findings and recommendations in the report, including a plan for corrective action taken or planned and comments on the status of corrective action taken on prior findings. If corrective action is not necessary, a statement describing the reason it is not should accompany the audit report.

e. The reports shall be made available by the State or local government for public inspection within 30 days after the completion of the audit.

f. In accordance with generally accepted government audit standards, reports shall be submitted by the auditor to the organization audited and to those requiring or arranging for the audit. In addition, the recipient shall submit copies of the reports to each Federal department or agency that provided Federal assistance funds to the recipient. Subrecipients shall submit copies to recipients that provided them Federal assistance funds. The reports shall be sent within 30 days after the completion of the audit, but no later than one year after the end of the audit period unless a longer period is agreed to with the cognizant agency.

g. Recipients of more than \$100,000 in Federal funds shall submit one copy of the audit report within 30 days after issuance to a central clearinghouse to be designated by the Office of Management and Budget. The clearinghouse will keep completed audits on file and follow up with State and local governments that have not submitted required audit reports.

h. Recipients shall keep audit reports on file for three years from their issuance.

14. *Audit resolution.* As provided in paragraph 11, the cognizant agency shall be responsible for monitoring the resolution of audit findings that affect the programs of more than one Federal agency. Resolution of findings that relate to the programs of a single Federal agency will be the responsibility of the recipient and that agency. Alternate arrangements may be made on a case-by-case basis by agreement among the agencies concerned.

Resolution shall be made within six months after receipt of the report by the Federal departments and agencies. Corrective action should proceed as rapidly as possible.

15. *Audit workpapers and reports.* Workpapers and reports shall be retained for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the cognizant agency to extend the retention period. Audit workpapers shall be made available upon request to the cognizant agency or its designee or the General Accounting Office, at the completion of the audit.

16. *Audit costs.* The cost of audits made in accordance with the provisions of this Circular are allowable charges to Federal assistance programs.

a. The charges may be considered a direct cost or an allocated indirect cost, determined in accordance with the provision of Circular A-87, "Cost principles for State and local governments."

b. Generally, the percentage of costs charged to Federal assistance programs for a single audit shall not exceed the percentage that Federal funds expended represent of total funds expended by the recipient during the fiscal year. The percentage may be exceeded, however, if appropriate documentation demonstrates higher actual cost.

17. *Sanctions.* The Single Audit Act provides that no cost may be charged to Federal assistance programs for audits required by the Act that are not made in accordance with this Circular. In cases of continued inability or unwillingness to have a proper audit, Federal agencies must consider other appropriate sanctions including:

- withholding a percentage of assistance payments until the audit is completed satisfactorily
- withholding or disallowing overhead costs, and
- suspending the Federal assistance agreement until the audit is made.

18. *Auditor selection.* In arranging for audit services State and local governments shall follow the procurement standards prescribed by Attachment O of Circular A-102, "Uniform requirements for grants to State and local governments." The standards provide that while recipients are encouraged to enter into intergovernmental agreements for audit and other services, analysis should be made to determine whether it would be more economical to purchase the services from private firms. In instances where use of such intergovernmental agreements are required by State statutes (e.g., audit services) these statutes will take precedence.

19. *Small and minority audit firms.* Small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in contracts awarded to fulfill the requirements of this Circular. Recipients of Federal assistance shall take the following steps to further this goal:

a. Assure that small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals are used to the fullest extent practicable.

b. Make information on forthcoming opportunities available and arrange timeframes for the audit so as to encourage and facilitate participation by small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals.

c. Consider in the contract process whether firms competing for larger audits intend to subcontract with small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals.

d. Encourage contracting with small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals which have traditionally audited government programs and, in such cases where this is not possible, assure that these firms are given consideration for audit subcontracting opportunities.

e. Encourage contracting with consortiums of small audit firms as

described in paragraph (a) above when a contract is too large for an individual small audit firm or audit firm owned and controlled by socially and economically disadvantaged individuals.

f. Use the services and assistance, as appropriate, of such organizations as the Small Business Administration in the solicitation and utilization of small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals.

20. *Reporting.* Each Federal agency will report to the Director of OMB on or before March 1, 1987, and annually thereafter on the effectiveness of State and local governments in carrying out the provisions of this Circular. The report must identify each State or local government or Indian tribe that, in the opinion of the agency, is failing to comply with the Circular.

21. *Regulations.* Each Federal agency shall include the provisions of this Circular in its regulations implementing the Single Audit Act.

22. *Effective date.* This Circular is effective upon publication and shall apply to fiscal years of State and local governments that begin after December 31, 1984. Earlier implementation is encouraged. However, until it is implemented, the audit provisions of Attachment P to Circular A-102 shall continue to be observed.

23. *Inquiries.* All questions or inquiries should be addressed to Financial Management Division, Office of Management and Budget, telephone number 202/395-3993.

24. *Sunset review date.* This Circular shall have an independent policy review to ascertain its effectiveness three years from the date of issuance.

David A. Stockman  
Director

## Circular A-128 Attachment

### Definition of Major Program as Provided in P.L. 98-502

“Major Federal Assistance Program,” for State and local governments having Federal assistance expenditures between \$100,000 and \$100,000,000, means any program for which Federal expenditures during the applicable year exceed the larger of \$300,000, or 3 percent of such total expenditures.

Where total expenditures of Federal assistance exceed \$100,000,000, the following criteria apply:

<i>Total Expenditures of Federal Financial Assistance for All Programs</i>		<i>Major Federal Assistance Program Means any Program That Exceeds</i>
<i>more than</i>	<i>but less than</i>	
\$100 million	1 billion	\$ 3 million
1 billion	2 billion	4 million
2 billion	3 billion	7 million
3 billion	4 billion	10 million
4 billion	5 billion	13 million
5 billion	6 billion	16 million
6 billion	7 billion	19 million
over 7 billion		20 million



## APPENDIX D

### SINGLE AUDIT REFERENCE MATERIAL

The Accounting and Auditing Literature files of the NAARS library contain the full text of authoritative and semiauthoritative accounting and auditing literature, including the following:

FASB Statements, Concepts, Interpretations and Technical Bulletins; Emerging Issues Task Force of the FASB Issues Summaries and Minutes of Meetings; GASB Statements, Interpretations, Technical Bulletins, and Concepts; APB Opinions, Statements, and Interpretations; AICPA Statements on Auditing Standards; Auditing Interpretations; Accounting Standards Executive Committee Pronouncements; Issues Papers; Industry Audit and Accounting Guides; Statements on Standards for Accounting and Review Services and Interpretations; Statement on Quality Control and Interpretation; Statement on Management Advisory Service; Statements on Standards for Accountants' Services on Prospective Financial Information; Statements on Standards for Attestation Engagements; Accounting Research Bulletins; Terminology Bulletins; International Accounting Standards Committee Pronouncements; AICPA Ethics—Concepts, Rules of Conduct, Interpretations, and Ethics Rulings—Technical Information Service Inquiries and Replies; International Federation of Accountants Committee Pronouncements (Auditing); Cost Accounting Standards Board Pronouncements; S.E.C. Staff Accounting Bulletins, Accounting Series Releases, Financial Reporting Releases, and Accounting and Auditing Enforcement Releases; Office of Management and Budget Circulars and Standards for Audit of Governmental Organizations Functions; President's Council on Integrity and Efficiency; State Network Block Grants.

Documents in the literature files are divided into the following segments (with brief descriptions):

<b>AUTHORITY</b>	Issuing authority
<b>TITLE</b>	Title of document
<b>DATE</b>	Date of issuance
<b>TEXT</b>	Full text of document
<b>AFFECTED-BY</b>	Notice of whether the document you are viewing has been updated by a later document
<b>FOOTNOTES</b>	Display of the footnotes in the documents retrieved
<b>LENGTH</b>	Length of document in words

The literature files also have descriptors. The descriptors, located in the **TITLE** segment, identify the literature by document type. For example, Statements of Financial Accounting Standards have the descriptor **FASBS** added in the **TITLE** segment. The following is a list of descriptors used in the literature files and the document type identified by each:

<b><u>Descriptor</u></b>	<b><u>LIT Document Type</u></b>
FASBS	Statements of Financial Accounting Standards
FASBI	FASB Interpretations
FASBT	Financial Accounting Standards Board Technical Bulletins
FASBC	Statements of Financial Accounting Concepts

<b><u>Descriptor</u></b>	<b><u>LIT Document Type</u></b>
FEITFIS	FASB Emerging Issues Task Force Issue Summaries
FEITFM	FASB Emerging Issues Task Force Minutes of Meetings
SAS	Statements on Auditing Standards
AUI	Auditing Interpretations
APBO	Accounting Principles Board Opinions
APBS	ABS Statements
APBI	Accounting Interpretations
ISUPAP	Issues Papers
ARB	Accounting Research Bulletins
SOP	Statements of Position—Accounting Standards Executive Committee
SOP	Statements of Position—Auditing Standards Division
SSARS	Statements on Standards for Accounting and Review Services
SSARSI	Statements on Standards for Accounting and Review Services Interpretations
SSASPFI	Statements on Standards for Accountants' Services on Prospective Financial Information
SSAE	Statements on Standards for Attestation Engagements
SMAS	Statements on Standards for Management Advisory Services
QCS	Statements on Quality Control Standards
QCSI	Interpretations of Quality Control Standards
QCP	Quality Control Policies & Procedures
AAG	Audit and Accounting Guides
AUG	Industry Audit Guides
GUD	Guides (Other)
IAS	International Accounting Standards
LAUG	International Auditing Guidelines
GASB-COD	GASB Codification
GASBS	Statements of the Governmental Accounting Standards Board
GASBI	GASB Interpretations
GASBT	GASB Technical Bulletins
GASBC	Concepts Statements of the Governmental Accounting Standards Board
CASB	Cost Accounting Standards Board Pronouncements (available soon)
AAER	Accounting and Auditing Enforcement Releases
ATB	Accounting Terminology Bulletins
FRR	Financial Reporting Releases
ASR	Accounting Series Releases
SAB	Staff Accounting Bulletins
SK	Regulation S-K
SX	Regulation S-X
OMB	Office of Management and Budget Circulars
GAO	Standards for Audit of Government Organizations, Programs, Activities and Functions
PCIE	President's Council on Integrity and Efficiency Single Audit Committee
SNBG	State Network on Block Grants
TIS	AICPA Technical Practice Aids
ET	Code of Professional Conduct
ETBYLAW	Bylaws of the American Institute of Certified Public Accountants
ASECPB	ACSEC Practice Bulletins

Search frames can also be added to obtain currently effective authoritative and semi-authoritative guidance from any of the aforementioned sources in the literature files on specific accounting or auditing matters. The following two search frames were used to obtain effective authoritative and semiauthoritative guidance for governmental accounting and auditing, including single audits.

The first search frame was:

**TITLE (GASB-COD OR GASBS OR GASBI OR GASBT OR GASBC  
OR OMB OR GAO OR PCIE OR SNBG)**

The following publications were obtained:

Governmental Accounting Standards Board, *Codification of Governmental Accounting and Financial Reporting Standards*

Statement No. 13 of the Governmental Accounting Standards Board, *Accounting for Operating Leases With Scheduled Rent Increases*

Statement No. 12 of the Governmental Accounting Standards Board, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*

Statement No. 11 of the Governmental Accounting Standards Board, *Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements*

Statement No. 10 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*

Statement No. 9 of the Governmental Accounting Standards Board, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*

Statement No. 8 of the Governmental Accounting Standards Board, *Applicability of FASB Statement No. 93, "Recognition of Depreciation by Not-for-Profit Organizations," to Certain State and Local Governmental Entities*

Statement No. 7 of the Governmental Accounting Standards Board, *Refundings Resulting in Defeasance of Debt*

Statement No. 6 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Special Assessments*

Statement No. 5 of the Governmental Accounting Standards Board, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers*

Statement No. 4 of the Governmental Accounting Standards Board, *Applicability of FASB Statement No. 87, "Employers' Accounting for Pensions," to State and Local Governmental Employers*

Statement No. 3 of the Governmental Accounting Standards Board, *Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*

Statement No. 2 of the Governmental Accounting Standards Board, *Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of Internal Revenue Code Section 457*

Statement No. 1 of the Governmental Accounting Standards Board, *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*

Governmental Accounting Standards Board, Concepts Statement No. 1, *Objectives of Financial Reporting*

Governmental Accounting Standards Board, Technical Bulletin No. 87-1, *Applying Paragraph 68 of GASB Statement 3*

Governmental Accounting Standards Board, Technical Bulletin No. 84-1, *Purpose and Scope of GASB Technical Bulletins and Procedures for Issuance*

Governmental Accounting Standards Board, Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities, An Interpretation of NCGA Statement 1 and NCGA Interpretation 9*

Office of Management and Budget Circular No. A-21; Subject: *Cost Principles for Educational Institutions*

Office of Management and Budget Circular No. A-50 Revised, *Audit Followup*

Office of Management and Budget Circular No. A-87, *Cost Principles for State and Local Governments*

Office of Management and Budget Circular No. A-88 Revised, *Indirect Cost Rates, Audit, and Audit Followup at Educational Institutions*

Office of Management and Budget Proposed Circular No. A-88 Revised, *Coordinating Audits and Negotiating Indirect Cost Rates at Educational Institutions*

Office of Management and Budget Circular No. A-110; Subject: *Uniform Administrative Requirements for Grants and Other Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*

Office of Management and Budget Circular No. A-122; Subject: *Cost Principles for Nonprofit Organizations*

Office of Management and Budget Circular No. A-122; Subject: *Cost Principles for Nonprofit Organizations: Lobbying*

Office of Management and Budget Circular No. A-123 Revised; Subject: *Internal Control Systems*

Office of Management and Budget Circular No. A-127; Subject: *Financial Management Systems*

Office of Management and Budget Circular No. A-128, *Audits of State and Local Governments*

Office of Management and Budget, *Compliance Supplement for Single Audits of State and Local Governments—Uniform Requirements for Grants to State and Local Governments—Compliance Supplement (Revised)*

Financial Management Division, *Cognizant Agency Assignments*

President's Council on Integrity and Efficiency, *Federal Cognizant Agency Audit Organization Guidelines*

State Network on Block Grants, *Audit Follow-Up for the Financial and Compliance Audits of the Block Grants*

State Network on Block Grants, *Issues Associated With State Plans to Audit Block Grants*

The second search frame was:

#### **SINGLE AUDIT ACT 1984**

The following publications were obtained:

American Institute of Certified Public Accountants, Statement on Auditing Standards No. 63, *Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance*

American Institute of Certified Public Accountants, Statement on Auditing Standards No. 54, *Illegal Acts by Clients*

American Institute of Certified Public Accountants, Statement of Position 89-6, *Auditors' Reports in Audits of State and Local Governmental Units*

American Institute of Certified Public Accountants, Statement of Position 90-9, *The Auditor's Consideration of the Internal Control Structure Used in Administering Federal Financial Assistance Programs Under the Single Audit Act*

American Institute of Certified Public Accountants, Audit and Accounting Guide, *Audits of State and Local Governmental Units*

Office of Management and Budget Circular No. A-128, *Audits of State and Local Governments*

General Accounting Office, Government Auditing Standards, *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*

President's Council on Integrity and Efficiency, October, 1985, *President's Council on Integrity and Efficiency Single Audit Committee, Federal Cognizant Agency Audit Organization Guidelines*

American Institute of Certified Public Accountants, Technical Practice Aids, *Section 6950, State and Local Governmental Units*

American Institute of Certified Public Accountants, Technical Practice Aids, *Section 6955, Single Audit Act of 1984*

American Institute of Certified Public Accountants, Technical Practice Aids, *Section 9110, Compliance Reports*

An authoritative document not retrieved by both searches but which should be mentioned because it is closely related to Statement on Auditing Standards No. 54, *Illegal Acts By Clients*, is:

American Institute of Certified Public Accountants, Statement on Auditing Standards No. 53, *The Auditor's Responsibility to Detect and Report Errors and Irregularities*

### **LOCAL GOVERNMENTAL ACCOUNTING TRENDS & TECHNIQUES**

There is a nonauthoritative publication from the AICPA that is useful to auditors and finance officers of cities, school districts, special districts (housing authorities, utility districts, etc.), counties, and townships. This publication, *Local Governmental Accounting Trends & Techniques*, is a compilation of data obtained by a survey of five hundred local governmental units which had single-audit reports undertaken for the purpose of analyzing the accounting information disclosed in such reports. This publication is not in the Accounting and Auditing Literature files of the NAARS library. However, the source data (local governmental unit annual reports) is extracted from the Governmental Unit Annual Report files of the NAARS library.

*Significant accounting trends*, as revealed by a comparison of current survey findings with those of the prior year, are highlighted in numerous comparative tabulations throughout this publication. These tables show trends in such diverse accounting matters as financial statement format and terminology and the accounting treatment of transactions and events reflected in the financial statements.

*Accounting techniques* are illustrated by excerpts from the reports of the surveyed entities.

*Local Governmental Accounting Trends & Techniques—1991*, fourth edition, is a survey of accounting practices followed by 500 local governmental units for fiscal periods ending between July 1, 1988, and June 30, 1989. To order this publication when available, call the AICPA Order Department at 800-334-6961 (except New York) or 800-248-0445 (New York only).

**APPENDIX E**  
**EXAMPLES OF COMPLIANCE REPORTS**

**INDEPENDENT AUDITORS' COMPLIANCE REPORT BASED ON AN AUDIT OF  
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors and Grand Jury  
County of Tulare  
Visalia, California

We have audited the general purpose financial statements of the County of Tulare for the year ended June 30, 1990, and have issued our report thereon dated October 26, 1990.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the County of Tulare is the responsibility of County management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the County of Tulare complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those provisions.

This report is intended for the information of the Board of Supervisors, Grand Jury, management, State Controller's Office, and federal and state grantors. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*[Signature]*

October 26, 1990

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Board of Supervisors and Grand Jury  
County of Tulare  
Visalia, California

We have audited the County of Tulare compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or sued for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1990. The management of the County of Tulare is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provided a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the County of Tulare complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1990.

[Signature]

October 26, 1990

**INDEPENDENT AUDITORS' SINGLE-AUDIT REPORT ON COMPLIANCE WITH  
THE GENERAL REQUIREMENTS APPLICABLE TO  
MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Board of Supervisors and Grand Jury  
County of Tulare  
Visalia, California

We have applied procedures to test the County of Tulare's compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1990:

Controls Used in Administering Individual  
Federal Financial Assistance Programs—General Requirements

Political Activity  
Davis-Bacon Act  
Civil Rights  
Cash Management  
Relocation Assistance and  
Real Property Acquisition  
Federal Financial Reports

Our procedures were limited to the applicable procedures described in the Office of the Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances on noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the Board of Supervisors, Grand Jury, management, and state and federal grantors. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board of Supervisors of the County of Tulare, is a matter of public record.

[Signature]

October 26, 1990

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL  
ASSISTANCE PROGRAM TRANSACTIONS**

To the Board of Supervisors and Grand Jury  
County of Tulare  
Visalia, California

In connection with our audit of the 1990 financial statements of the County of Tulare, and with our study and evaluation of the County's internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1990.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; and other special tests and provisions that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Tulare had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the Board of Supervisors, the Grand Jury, management, and state and federal grantors. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board of Supervisors of the County of Tulare, is a matter of public record.

[Signature]

October 26, 1990

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

COUNTY OF TULARE

*Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 1990*

Program	Findings/Noncompliance	Questioned Costs
Family Support Payments to States —Assistance Payments 13.780	1. <i>Condition:</i> All twelve Summary of Assistance Expenditure Reports were filed late as follows:	None



*Schedule of Findings and Questioned Costs (continued)*

Program	Findings/Noncompliance				Questioned Costs
	Date Report Submitted	Due Date	Days Late		
September 1989	8/21/89	8/10/89	7		
July 1989	9/22/89	9/13/89	7		
August 1989	10/18/89	10/12/89	4		
September 1989	11/13/89	11/10/89	1		
October 1989	12/18/89	12/12/89	5		
November 1989	1/12/90	1/11/90	1		
December 1989	2/16/90	2/13/90	3		
January 1990	3/15/90	3/12/90	3		
February 1990	4/16/90	4/11/90	3		
March 1990	5/21/90	5/10/90	7		
April 1990	6/18/90	6/12/90	4		
May 1990	7/17/90	7/12/90	3		
June 1990					

*Criteria:* Summary of Assistance Expenditure Reports filed with the State Department of Social Services shall be forwarded by the counties so as to be received no later than the 8th working day immediately following the month of claim.

*Effect:* When expenditures claims are submitted late, they cannot be included in the quarterly expenditure reports submitted by the state to the federal government. The result is a reduction in federal funds available to disburse. All counties in the state share in the shortage.

*Cause:* The department stated that the filing due date does not allow enough time to prepare the expenditure reports.

*Recommendations:* All monthly claims should be submitted no later than the 8th working day immediately following the month of claim.

*Department Response:* The department cited the State Department of Social Services (SDSS) All County Information Notice No. 1-96-87, which states that the SDSS has negotiated an unofficial extension which sets the assistance claim due dates as follows:

- *Assistance claims*—20 calendar days after the end of the claiming month
- *Administrative claims*—30 calendar days after the end of the claiming month

*Corrective Action Plan:* The department will try to submit all Summary of Assistance Expenditure Reports by the 20th of the month following the month of claim.

2. *Condition:* Administrative Claim Reports were filed late as follows:

None

Quarter	Due Date	Date Report Submitted	Days Late
9/89	10/18/89	10/27/89	7

<u>Program</u>	<u>Findings/Noncompliance</u>				<u>Questioned Costs</u>
	12/89	1/18/90	1/29/90	7	
	3/90	1/18/90	1/29/90	9	
	6/90	7/18/90	7/20/90	2	

*Criteria:* Administrative Claim Reports filed with the State Department of Social Services shall be forwarded by the counties so as to be received no later than the 12th working day immediately following the quarter of claim.

*Effect:* When expenditure claims are submitted late, they cannot be included in the quarterly expenditure reports submitted by the state to the federal government. The result is a reduction in federal funds available to disburse. All counties in the state share in the shortage.

*Cause:* The department stated that the filing due date does not allow enough time to prepare the expenditure reports.

*Recommendations:* All quarterly claims should be submitted no later than the 12th working day immediately following the quarter of claim.

*Department Response:* The department cited the State Department of Social Services (SDSS) All County Information Notice No. 1-06-87, which states that the SDSS has negotiated an unofficial extension which allows the County due dates to be unofficially set at:

- *Assistance claims*—20 calendar days after the end of the claiming month
- *Administrative claims*—30 calendar days after the end of the claiming month

*Corrective Action Plan:* No corrective action [was] considered necessary, since the department submitted all Administrative claims by the 30th of the month following the quarter of claim.

COUNTY OF TULARE

*[Status of Prior Year Recommendations]  
For the Year Ended June 30, 1990*

<u>Program</u>	<u>Findings/Noncompliance</u>	<u>[Status/Comment]</u>
Family Support Payments to States —Assistance Payments 13.780	1. All monthly claims should be submitted to the State no later than the 8th working day immediately following the month of claim.	Not Implemented
	2. All quarterly claims should be submitted to the State no later than the 12th working day immediately following the quarter of claim.	Not Implemented
	3. The department should make adjustments to its records periodically after receiving the state-approved claims from the State, so as to bring its records into agreement with the state-approved claims.	Implemented

## **FINANCIAL REPORT SURVEYS\***

- 23 **Illustrations and Analysis of Disclosures of Inflation Accounting Information (1981)**  
*A survey of the application of the requirements of FASB Statement Nos. 33, 39, 40, and 41*
- 24 **Illustrations of Foreign Currency Translation (1982)**  
*A survey of the application of FASB Statement No. 52*
- 25 **Illustrations of Accounting for Innovative Financing Arrangements (1982)**
- 26 **Updated Illustrations of Management's Discussion and Analysis of Financial Condition and Results of Operations (1983)**  
*A survey of the application of recently amended Rules 14a-3 and 14c-3 of the Securities Exchange Act of 1934 in annual reports to shareholders*
- 27 **Illustrations of Accounting and Reporting by Development Stage Enterprises (1984)**  
*A survey of the application of FASB Statement No. 7*
- 28 **Illustrations of Accounting for Enterprises in Unusual Circumstances and Reporting on Them by Independent Accountants (1984)**  
*A survey of • troubled enterprises • reorganized enterprises • liquidating enterprises*
- 31 **Illustrations of "Push Down" Accounting (1985)**
- 32 **Illustrations of Accounting for In-Substance Defeasance of Debt (1986)**  
*A survey of the application of FASB Statement No. 76*
- 33 **Illustrations of Accounting for Pensions and for Settlements and Curtailments of Defined Benefit Pension Plans (1987)**  
*A survey of the application of FASB Statement Nos. 87 and 88*
- 34 **Illustrations of Accounting for the Inability to Fully Recover the Carrying Amounts of Long-Lived Assets (1987)**  
*A survey of the subject of an issues paper by the AICPA Accounting Standards Division's Task Force on Impairment of Value*
- 35 **Updated Illustrations of Reporting Accounting Changes (1987)**  
*A survey of the application of APB Opinion No. 20, as amended*
- 36 **Illustrations of Accounting Policy Disclosure (1987)**  
*A survey of the application of APB Opinion No. 22*
- 37 **Illustrations of Accounting for Income Taxes (1989)**  
*A survey of the application of FASB Statement No. 96*
- 38 **Illustrations of Cash-Flow Financial Statements (1989)**  
*A survey of the application of FASB Statement No. 95*
- 39 **Quasi-Reorganizations (1989)**  
*A survey of quasi-reorganizations disclosed in corporate annual reports to shareholders*
- 40 **Illustrations of the Presentation of Financial Information About Consolidated Nonhomogeneous Subsidiaries (1990)**  
*A survey of the application of FASB Statement No. 94*
- 41 **Illustrations of Departures From the New Standard Auditor's Report on Financial Statements of Business Enterprises (1990)**  
*A survey of the application of SAS No. 58*
- 42 **Illustrations of the Disclosure of Related-Party Transactions (1990)**  
*A survey of the application of FASB Statement No. 57*
- 43 **Illustrations of Compliance Findings in Single Audit Reports of Local Governmental Units (1991)**  
*A survey of reporting under the Single Audit Act of 1984 and OMB Circular No. A-128*

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\*FRS Nos. 1–22, 29, and 30 are no longer in print.

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