**AUDITS AND EXAMINATIONS SPECIFICATIONS**

**A. Federal Requirements.**

The City, the Secretary of Housing and Urban Development (HUD), the Comptroller General of the United States, or any of their duly authorized representatives, shall have access, for purposes of audit and examination, to all books, accounts, reports, files, documents, papers, records, and other papers or property of the Subgrantee pertaining to projects funded in whole or in part from funds provided under the Housing and Community Development Act of 1974 as amended. Subgrantee agrees to include in any lower tier subcontracts or other arrangements for implementation of the work embraced in this Grant Agreement a notice to this effect.

Subgrantee or non-Federal entity, as a condition of this Grant Agreement, shall have an single audit performed in accordance with the Office of Management and Budget (OMB) 2 Code of Federal Regulation (CFR) Part 200, Subpart F – the “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”[[1]](#endnote-1), which supercedes the OMB Circular A-133 (last revised in 1990). 2 CFR Part 200issued December 26, 2013, standardizes compliance and audit requirements for government entities, non-profit organizations and institutions of higher education; further sets standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

If required, issued pursuant to the Single Audit Act, the audit shall be made by an independent (external) auditor in accord­ance with generally accept­ed government auditing standards covering financial and compliance audits. The audit shall cover the entire operations of Subgrantee for the fiscal year ending within the Grant Agreement period and shall be submitted to the City within thirty (30) days of the date of issue.

**A non-Federal entity (or Subgrantee) that expends $750,000 or more** in total Federal financial assistance[[2]](#endnote-2) in a year are responsible for obtaining **an independent audit** in accordance with the Single Audit Act and OMB 2 CFR.200 Subpart F .

**The computation of the total of such assistance includes all Federal funds expended** by the entire entity, and not just the department or division receiving the Community Development Block Grant (CDBG) funding. For purposes of determining the amount of Federal assistance expended, all Federal assistance shall be considered, including that which is received directly from a Federal agency, or passed through a state or local government, or through non-profit organizations, or any combination thereof. *See 2 CFR.200.502 (Basis for determining Federal awards expended) for more detail.*

**A** [**non-Federal entity**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e70d4d5b3d21f635ea2aec391214bde6&term_occur=1&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) **that** [**expends**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e7ca69c9833f912a85f9165c73391610&term_occur=1&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) **$750,000 or more during the** [**non-Federal entity**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e70d4d5b3d21f635ea2aec391214bde6&term_occur=2&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501)**'s fiscal year in Federal awards** must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

**A** [**non-Federal entity**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e70d4d5b3d21f635ea2aec391214bde6&term_occur=3&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) **that** [**expends**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e7ca69c9833f912a85f9165c73391610&term_occur=2&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) **$750,000 or more during the** [**non-Federal entity**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e70d4d5b3d21f635ea2aec391214bde6&term_occur=4&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501)**'s fiscal year in Federal awards** must have a single audit conducted in accordance with 2 CFR [200.514](https://www.law.cornell.edu/cfr/text/2/200.514) (Scope of audit) except when it elects to have a program-specific audit conducted in accordance with [paragraph (c)](https://www.law.cornell.edu/cfr/text/2/200.501#c) of this section.

**When a** [**non-Federal entity**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e70d4d5b3d21f635ea2aec391214bde6&term_occur=5&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) **that** [**expends**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e7ca69c9833f912a85f9165c73391610&term_occur=5&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) **less than $750,000** during the [non-Federal entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e70d4d5b3d21f635ea2aec391214bde6&term_occur=6&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501)'s fiscal year in Federal awards is exempt from Federal audit requirements for that year, except as noted in [§ 200.503](https://www.law.cornell.edu/cfr/text/2/200.503) Relation to other audit requirements, but records must be available for review or audit by appropriate officials of the [Federal agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=b467b6bef43ffc6a4d3fc9c56efe37f3&term_occur=4&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501), [pass-through entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=bd068de301925928a02adc6fab1b1d02&term_occur=3&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501), and Government Accountability Office (GAO).

**When A** [**non-Federal entity**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e70d4d5b3d21f635ea2aec391214bde6&term_occur=5&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) **that** [**expends**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e7ca69c9833f912a85f9165c73391610&term_occur=5&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) **Federal awards under only one** [**Federal program**](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=a1ab435b47bfef725e9aec4c35121657&term_occur=1&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) (excluding Research & Development) and the [Federal program](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=a1ab435b47bfef725e9aec4c35121657&term_occur=2&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501)'s statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the [auditee](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=efe13ed2f5304148d691c92ca95aca97&term_occur=3&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501), the [auditee](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=efe13ed2f5304148d691c92ca95aca97&term_occur=2&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) may elect to have a program-specific audit conducted in accordance with [§ 200.507](https://www.law.cornell.edu/cfr/text/2/200.507) Program-specific audits. A program-specific audit may not be elected for Research & Development ([R&D](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=164d290074582d925e8f60ac4899225e&term_occur=1&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501)) unless all of the Federal awards [expended](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=e7ca69c9833f912a85f9165c73391610&term_occur=4&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) were received from the same [Federal agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=b467b6bef43ffc6a4d3fc9c56efe37f3&term_occur=2&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501), or the same [Federal agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=b467b6bef43ffc6a4d3fc9c56efe37f3&term_occur=1&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) and the same [pass-through entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=bd068de301925928a02adc6fab1b1d02&term_occur=1&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501), and that [Federal agency](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=b467b6bef43ffc6a4d3fc9c56efe37f3&term_occur=3&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501), or [pass-through entity](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=bd068de301925928a02adc6fab1b1d02&term_occur=2&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501) in the case of a [subrecipient](https://www.law.cornell.edu/definitions/index.php?width=840&height=800&iframe=true&def_id=f8d8ea8c6a1489517575db691be0d202&term_occur=1&term_src=Title:2:Subtitle:A:Chapter:II:Part:200:Subpart:F:Subjgrp:46:200.501), approves in advance a program-specific audit.

**If a non-Federal entity or Subgrantee in turn provides $750,000 or more of its Federal financial assistance in a year to another subrecipient**, the providing Subgrantee must ensure that this second subrecipient has complied with the relevant audit requirements and applicable laws and regulations. It must also issue a management decision on audit findings within six (6) months after receipt of the audit report and ensure that the Subgrantee takes appropriate and timely corrective action (see OMB 2 CFR Part 200.508 Auditee responsibilities.).

A reasonably proportionate share of the **costs of audits required** by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements of this part, are allowable for Federal assistance programs for which expenditures of Federal funds is $750,000 or more, within the non-Federal entity’s fiscal year. These charges can be treated as either a direct cost or an allocated indirect cost. In regard to the latter, the percentage of costs generally charged to Federal assistance programs for a single organization wide audit should not exceed the percentage that the Subgrantee’s Federal funds represent of total funds expended by the entity during the applicable year. The percentage may be exceeded, however, if appropriate documentation demonstrates higher actual costs. (See 2 CFR 200.506 & 2 CFR 200.425)

**B. City Requirements.**

1. The City Auditor and the City department administering this Grant Agreement shall have the right to audit this Grant Agreement and all books, documents and records relating thereto.
2. Subgrantee shall maintain all its books, documents and records relating to this Grant Agreement during the Grant Agreement period and for four (4) years after the date of final payment.
3. The books, documents and records of Subgrantee in connection with this Grant Agreement shall be made available to the City Auditor and the City department administering this Grant Agreement within ten (10) days after the written request is made.
4. If annual funding of $100,000.00 or more is received by Subgrantee or an affiliate of Subgrantee from the City, whether in a single Grant Agreement or as a cumulative amount, Subgrantee will engage a CPA to conduct an audit or audits and will require the CPA to furnish the City Auditor with a copy of the audit or audits, copies of any management letters, and copies of the Subgrantee’s responses to management letters. An audit, management letter and response, shall be promptly provided to the City Auditor without the need for a special request. The City Auditor is authorized to make inquires directly to the Subgrantee’s auditor and Subgrantee shall require the Subgrantee’s auditor to respond truthfully to the City Auditor’s questions.
5. If annual funding of $100,000.00 or more is received by Subgrantee or an affiliate of Subgrantee from the City, whether in a single Grant Agreement or as a cumulative amount, Subgrantee will engage a professional qualified to analyze the Subgrantee’s internal control structures, and to furnish the City Auditor with a copy of the analysis. A report shall be promptly provided to the City Auditor without the need for a special request. The City Auditor is authorized to make inquires directly to the Subgrantee’s professional and Subgrantee shall require the Subgrantee’s professional to respond truthfully to the City Auditor’s questions.
6. If annual funding of $100,000.00 or more is received by Subgrantee or an affiliate of Subgrantee from the City, whether in a single Grant Agreement or as a cumulative amount, Subgrantee shall submit to the City the Subgrantee’s annual fiscal year financial audit no later than six (6) months after the end of the Subgrantee’s fiscal year. Subgrantee shall provide the City with a copy of any compliance or performance audit and any management letters no later then six (6) months after the issuance date.
7. Subgrantee shall cooperate with all monitoring and evaluation activities conducted by the City relative to this Grant Agreement.
8. Unless Federal or State restrictions apply, the costs of audits are allowable charges for the portion of the audit applicable to the program funded under this Agreement and may be set aside in the Agreement budget. For example only Federal grants of $750,000 or more allow the inclusion of audit costs in the program budget.

**C. Accounting**

Subgrantee shall establish and maintain, on a current basis, an adequate accounting system in accordance with generally accepted accounting principles and standards and in accordance with Uniform Administration Requirements cited at 24 C.F.R. Section 570.502(a) for reci­pients and Subgrantees which are governmental entities (including public agencies) or 24 CFR Section 570.502(b) for Subgrantees which are non-profit organizations or educational institutions.

**D. Financial Statement**

The City shall have the right to require the Subgrantee to submit an audited Financial Statement showing all assets and liabilities of the Subgrantee including Income Statement for the fiscal year ending nearest to the Grant Agreement date, prior to approving any request for payment herein.

1. Electronic Code of Regulations - Current as of July 25, 2017:

   <https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl> [↑](#endnote-ref-1)
2. “Federal financial assistance” means assistance provided directly by a Federal agency to a recipient or a Subgrantee or through a recipient to a subrecipient to carry out a program or activity. Such assistance may be in the form of:

   Grants;

   Loans;

   Grant agreements;

   Cooperative agreements;

   Non-cash contributions or donations of property;

   Direct appropriations;

   Food commodities;

   Loans;

   Loan guarantees;

   Interest subsidies;

   Insurance; [↑](#endnote-ref-2)