

The GLO-CDR Implementation Manual provides guidance for CDBG-DR and CDBG-MIT grantees and Subrecipients and should not be construed as exhaustive instructions.

CHAPTER 15 – AUDIT REQUIREMENTS

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CHAPTER 15 - AUDIT REQUIREMENTS

This chapter presents a summary of the audit requirements. Subrecipients are required to comply with 2 CFR 200 Subpart F – Audit Requirements. GLO-CDR holds each Subrecipient responsible for all funds expended. Links to fillable forms for this chapter are found in [Resources](#), below and available at www.recovery.texas.gov.

15.MIT CDBG-Mitigation Guidance

This section is a placeholder for CDBG-Mitigation specific guidance and will be updated soon.

15.1 Audit Process

One of the primary financial management requirements implicit with the use of federal funds pertains to audits. There are both federal and state requirements for audits. Federal Register 2 CFR 200.500 provides federal requirements for audits of governmental entities and nonprofit organizations. Failure to comply with both audit requirements can jeopardize the Subrecipient's ability to draw grant funds and to receive future grants.

15.2 Audit Costs

The only costs allowable under the CDBG-DR and/or CDBG-MIT Programs for financial report preparation are single audit costs. If single audit costs are to be charged to the CDBG-DR and/or CDBG-MIT program, the Subrecipient must follow the Professional Services Procurement guidelines established under the Procurement chapter and 2 CFR 200. Due to the importance of the audit process, Subrecipients are reminded that not all CPAs are qualified to perform audits of governmental entities and in particular, under the Single Audit Act. Care should be exercised to select an experienced, qualified firm, rather than simply selecting the firm offering to perform the audit at the lowest price.

The portion of the total single audit cost which can be charged to the CDBG-DR and/or CDBG-MIT program may be determined by multiplying the total single audit cost times a fraction, the numerator of which is the CDBG-DR and/or CDBG-MIT program expenditures for the period, and the denominator of which is the government entity's total expenditures for the period, including the Disaster Recovery CDBG program expenditures. A calculation of the allowable portion of the single audit cost should be included in the supporting documentation presented with the request for payment.

Under the latest revisions to 2 CFR 200.500, if appropriate documentation of the single audit costs provides a higher amount than the formula, the higher single audit costs may be charged to the program. Supporting documentation should be available for review by Disaster Recovery CDBG staff.

15.3 Audit Types

The type of audit required is based on the total federal financial assistance expended by an organization in any given fiscal year and/or number of federal or state programs involved.

15.3.1 Single Audit

As defined in 2 CFR 200 Subpart F any non-federal entity expending \$750,000 or more in federal Awards must have a single audit conducted in accordance with 2 CFR 200.514 unless it elects to have a program-specific audit. It is the responsibility of each Subrecipient to ensure that a Single Audit or Program Specific Audit, if required, is uploaded to the Federal Audit Clearinghouse (FAC) database as detailed in 2 CFR 200.512. The FAC is operated on behalf of the Office of Management and Budget and can be accessed through the following website: <https://harvester.census.gov/facweb/>

Note: A Subrecipient expending less than \$750,000 a year in federal awards is exempt from the Single Audit requirements for that year. However, records must be available for review or audit by appropriate officials of the federal agency, and the pass-through entity.

15.3.2 Program-specific Audit Election

Applicable to Subrecipient when federal awards are expended under only one federal program, and a financial statement audit is not required by the program's statutes, regulations, or terms or conditions of the federal award.

15.3.3 For-Profit Subrecipient Audits

For-profit Subrecipient audits should incorporate the program specific compliance guidance issued by the U.S. Department of Housing and Urban Development into their annual audits.

15.4 Submissions

15.4.1 Audit Certification Form (ACF)

It is the responsibility of each Subrecipient to complete an Audit Certification Form (ACF) within 60 days after the end of each fiscal year during which the Subrecipient has an open Subrecipient Agreement. The submission of an ACF to GLO-CDR is required of all Subrecipient regardless of funding received during a fiscal year. After submitting the ACF, if a Single Audit is required, the Subrecipient must arrange for the audit.

15.4.2 Delinquent Submissions

GLO-CDR reserves the right to take action and impose remedies for noncompliance related to delinquent submissions as allowed in 2 CFR 200.388 Remedies for noncompliance. Delinquent audit items can cause delays with draws, closeout and other requests at GLO-CDR's discretion.

15.4.3 Audit Tracking and Resolution

GLO-CDR is required by 2 CFR 200.331(d)(3), 200.521(a) & (c) to issue a management decision for all findings in a Subrecipient single-audit report that involve federal grants

awarded by GLO-CDR. The management decision states whether the agency sustains or closes each single-audit finding and the reason for doing so.

GLO-CDR is also required to follow up with Subrecipient to ensure they complete corrective actions that address the findings. Some corrective actions may include an enforcement action that requires the Subrecipient to return federal funds to GLO-CDR. These requirements to follow up on single-audit findings are given in 2 CFR 200.331(d)(2) and 200.521(a).

15.4.4 Management Decisions

After the audit report is received through the FAC, the report will be reviewed by GLO-CDR. Based upon that review a written response will be provided to the Subrecipient that GLO-CDR considers the review closed, sustain findings, if applicable, or request for additional information.

15.4.5 Management Decision Response

GLO-CDR reviews single audit reports and the Subrecipient corrective action plan in relation to each finding in making the determination to sustain a finding or close the review of the report. In general findings that impact the GLO-CDR programs are considered sustained.

15.5 Request for Additional Information

If additional clarification is needed by the Subrecipient for GLO-CDR to determine its management decision a written request may be sent to the Subrecipient and its representatives requesting additional information.

15.6 Resources

The GLO-CDR has created a comprehensive website which contains necessary forms, checklists, detailed guidance documents, and additional resources to supplement this Implementation Manual. Please see <http://recovery.texas.gov/> for more information.

The following resources are referenced within this chapter and their hyperlinks are located at <https://recovery.texas.gov/local-government/hud-requirements-reports/implementation-manual/index.html>.

Please direct all questions regarding your specific program or project to your assigned GLO- Grant Manager.

The resources below will be updated as new forms and documents are developed and come online.

Note: Internet Explorer may work best for some forms found on the website.

Topic/Form	Location
Definitions	Appendix A
Acronyms	Appendix B
HUD Exchange: CDBG-DR Resources and Information	https://www.hudexchange.info/programs/cdbg-dr/
GLO-CDR Training Plan	http://recovery.texas.gov/local-government/training/index.html
CDBG-DR Toolkit	https://www.hudexchange.info/programs/cdbg-dr/toolkits/program-implementation/
Texas Integrated Grant Reporting (TIGR) System	https://cdrportalprd.dynamics365portals.us/
OMB Grants.gov Grant Policies	https://www.ecfr.gov/cgi-bin/text-idx?SID=c92a1180439e91c819db8c5f87cf1f1f&node=2:1.1.2.2.1.6&rgn=div6
2 CFR 200 Subpart F Audit Requirements	https://www.ecfr.gov/cgi-bin/text-idx?SID=c92a1180439e91c819db8c5f87cf1f1f&node=2:1.1.2.2.1.6&rgn=div6
Federal Audit Clearinghouse	https://harvester.census.gov/facweb/
HUD CPD Monitoring Handbook	https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2

Program Links	Location
2015 Flood Event	http://recovery.texas.gov/local-government/programs/index.html
2016 Flood Event	
Hurricane Harvey	

Hurricane Harvey Homeowner Assistance Program	http://recovery.texas.gov/local-government/programs/homeowner-assistance/index.html
Hurricane Harvey Local Buyout & Acquisition Program	http://recovery.texas.gov/local-government/programs/local-buyout-acquisition/index.html
Hurricane Harvey Homeowner Reimbursement Program	http://recovery.texas.gov/local-government/programs/homeowner-reimbursement-limited-repair/index.html
Hurricane Harvey Affordable Rental Program	http://recovery.texas.gov/local-government/programs/affordable-rental-housing-program/index.html
Hurricane Harvey Economic Revitalization Program	http://recovery.texas.gov/local-government/programs/economic-revitalization-program/index.html
Hurricane Harvey Local Infrastructure Program	http://recovery.texas.gov/local-government/programs/local-infrastructure/index.html
Hurricane Harvey Local, Regional and State Planning	http://recovery.texas.gov/local-government/programs/local-regional-state-planning/index.html
Hurricane Harvey Harris County Direct Allocation	http://recovery.texas.gov/local-government/programs/harris-county/index.html
Hurricane Harvey Houston Direct Allocation	http://recovery.texas.gov/local-government/programs/houston/index.html
Hurricane Harvey PREPS Program State Match	http://recovery.texas.gov/local-government/programs/fema-housing-sheltering/index.html