

EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM (EFSP)

Audit/Review and Audit/Documentation Retention Responsibilities

Audit/Review Requirements

The EFSP annual audit requirement allows for two different levels of review depending on the LRO's level of funding. This change took place in Phase 23 (FY2005) and is noted on pages 25 and 29 of this manual. The EFSP audit requirements are:

For LROs receiving \$50,000 or more in EFSP funding, the National Board requires an independent annual audit in accordance with Government Auditing Standards. For LROs receiving from \$25,000 to \$49,999, the National Board requires an annual review. For newly funded LROs or LROs funded above the amount requiring an audit or review for the first time, the LRO must arrange for the audit or review of funds to coincide with the next scheduled annual audit or annual review of its financial affairs.

The National Board will accept an LRO's national/regional annual audit if the following conditions are met:

- LRO is truly a subsidiary of the national organization (i.e., shares a single federal tax exemption).
- The LRO is audited by the national/regional office internal auditors or other person designated by the national/regional office AND the national/regional office is audited by an independent certified public accountant or public accountant or accounting firm, which includes the national/regional organization's review of the LRO in a larger audit review.
- A copy of the local audit review along with a copy of the independent audit of the national/regional office will be made available to the National Board upon request.

Any agency expending \$500,000 or more in Federal funds must comply with Circular A-133 of the U.S. Office of Management and Budget. Note: A copy of this report must be forwarded to the National Board annually along with the regular audit.

Audits of units of government shall be made annually unless state or local government had, by January 1, 1987, a constitutional or statutory requirement for less frequent audits.

All audits/reviews must clearly identify EFSP funding by ID number included in the Schedule of Federal Awards.

The changes in these requirements are specific to the EFSP and meeting any other local, state, or federal audit requirements or those required by any other funding source are the responsibility of the LRO.

Audit/Review Terminology

Audit – A formal examination of financial statements intended to assess the accuracy and thoroughness of financial records. An independent auditor performs this procedure on a set of financial statements in order to render an opinion based on the accounting records provided. An unqualified audit opinion states that the financial statements are in conformity with accounting principles generally accepted in the United States (GAAP). Audits are performed according to audit standards generally accepted in the United States (GAAS). An audit is more expensive than a review or compilation because an opinion on the accuracy of financial statements requires significantly more work than that involved in either a review or a compilation. *Under EFSP, an audit is required for any LRO receiving \$50,000 or more in funding.*

Review – Accountants perform limited procedures as a basis for expressing limited assurance on financial statements. Although not as comprehensive as an audit, a review provides more assurance than a compilation. A review report states that: 1) the accountants do not express an opinion on the financial statements and, 2) based on their review, they are not aware of any material modifications that should be made to the financial statements. A review is less expensive than an audit but more expensive than a compilation. *Under EFSP, a review is required for any LRO receiving from \$25,000 to \$49,999.*

Documentation Retention Responsibilities and Other Audit Responsibilities

EFSP requires all LROs to maintain documentation for three years from the end-of program date as noted on page 18 of this manual. The documentation to be retained includes financial records, supporting documentation, statistical records, and all other records pertinent to the award. The exceptions to the three-year rule are noted on page 28 and include litigation, claim, program compliance issues, or audit started before the three-year period and records for non-expendable property acquired either wholly or partially with EFSP funds.

The documentation must be accessible should there be reason for your agency to produce the documentation for review. This review might include the audit of these expenditures after you have reported to the National Board for the spending period. Please reference pages 12 and 22 guidelines for documentation disaster recovery plans.

Site Audits: The National Board staff frequently conducts site audits of LROs funded through the EFSP. These site audits are conducted at the LRO's offices and original documentation supporting expenditures of EFSP funds are reviewed. The original documentation would include all canceled checks and vendor invoices for expenditures charged to EFSP. If an LRO is using the per meal allowance or per diem allowance, the documentation would include sign-in sheets, case records, as well as the supportive documentation for actual expenditures (i.e., canceled checks, vendor invoices). Very often, multiple phases are reviewed during the site audit of the LRO.

Independent Audit: Annually EFSP undergoes an independent annual audit as required by the federal government. During this audit, EFSP's independent auditors review documentation submitted by LROs that has already been reviewed by EFSP staff. Additionally, they request documentation from a sample of LROs that were not required to submit documentation with their Final Report. LROs must comply with the request from EFSP's independent auditors including compliance problems noted by the independent auditors in their review.

Other Audits: Staff from the Federal Emergency Management Agency (FEMA) may also conduct site audits of funded LROs. Additionally, as EFSP funding is federal funding, the U. S. Department of Homeland Security Office of Inspector General may also conduct site audits.

How are the site audits determined: The National Board has given the staff guidance for conducting site audits which includes, but is not limited to, reviewing LROs in jurisdictions where there are ongoing compliance problems, reviewing LROs who have failed to submit documentation to the National Board or the Board's independent auditors, findings in the independent audits submitted by LROs, concerns regarding operations from the Local Board or others, reviewing LROs funded in certain categories or areas of the country, alleged or suspected fraud, and at the request of the DHS Inspector General.

Generally, when site audits are conducted, several LROs in a jurisdiction or in surrounding jurisdictions are reviewed and multiple phases of each LRO's EFSP funding is reviewed.

Please note that since documentation must be retained for three years, all of those years are subject to audit at any time. Even if an LRO has filed Final Reports and received clearing letters, they are still subject to any of the audits noted above.

SPECIAL NOTE: DOES MY LRO HAVE TO HAVE AN AUDIT OR A REVIEW?

To determine what type of review is required for an LRO, the LRO must know the total amount of funding it is receiving from EFSP in all jurisdictions in which it is funded. The TOTAL EFSP funding is used to determine the type of review. For example, LRO ABC is funded in only one jurisdiction and receives \$31,000 – a review would be required since LRO ABC is receiving more than \$25,000 but less than \$50,000. And, LRO XYZ is funded in three jurisdictions, in jurisdiction #1 \$30,000 is received, in jurisdiction #2 \$17,000 is received, and in jurisdiction #3 \$26,000 is received. LRO XYZ would be required to have an audit. They are receiving a total of \$73,000, which is greater than the \$50,000 threshold for requiring an audit even though in each jurisdiction they are receiving less than \$50,000.