

CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE

Issued By:

Office of the Director of Finance

CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
Highlights of Changes
June 1997

SECTION 100

- The 1997 Audit Guide will apply if total federal financial assistance expended by a subrecipient through City of Philadelphia contract(s) (either directly from the City or indirectly through another City subrecipient) is \$300,000 or more during the subrecipients fiscal year.
 - The \$300,000 is not the total assistance provided under City of Philadelphia contract(s) but only the federal portion.
 - The City or any of the Departments in the City have the right to require an audit or agreed-upon procedures to be performed below the \$300,000 level. This requirement will be communicated to the provider agency.
- The new audit requirements are effective for provider agencies in the fiscal years beginning on or after July 1, 1996.
- Notification of Engagement of Auditor Form needs to be submitted by the organization's year-end and not 60 days prior to the year-end as previously required (Section 103.17).
- Name, address, telephone and fax number changes for certain City Departments (Sections 104.03 and 105.01).
- Office of Housing and Community Development needs to receive additional copies of report for certain CFDA programs funded through other City Departments (Section 103.03 - Note No.(2))

SECTION 200

- Addition of following technical references:
 - AICPA SAS No. 82 - Consideration of Fraud in a Financial Statement Audit (Section 202.06)
 - OMB A-133 (Revised June 24, 1997) (Section 204.07)
 - OMB A-133 Compliance Supplement - Provisional 6/97 (Section 204.10)

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
Highlights of Changes (Cont.)
June 1997**

SECTION 300

- In accordance with OMB Circular A-133 (Revised June 24, 1997) auditors are to utilize a risk-based approach to determine which Federal programs are major programs. For the purposes of this Audit Guide only the Federal portion of a City of Philadelphia contract award is to be considered in the determination of major programs.
- Risk-based approach is to be utilized on auditing the Federal funds passed through a City of Philadelphia contract (Section 305.02).
- New OMB A-133 Compliance Supplement (Provisional 6/97) is required to be utilized in testing of major programs (Section 305.05 to 305.08).
- City of Philadelphia Compliance Audit Requirements (Section 306.11) changed regarding auditing/reporting, as follows:
 - For certain City of Philadelphia Department's a supplemental financial schedule will be required when the total assistance provided by the City for a contract is \$300,000 or more. This is the total amount of assistance expended, whether Federal, State or City funded.
 - In most instances the supplemental financial schedules will require an auditor's opinion in accordance with the City of Philadelphia, Subrecipient Audit Guide. In some instances the supplemental financial schedules will only require an agreed-upon procedures report on whether the amounts reflected in the schedule are in agreement with the agency's books of account.
- The auditor is to report questioned costs in the schedule of findings and questioned costs for known questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program or where an audited supplemental schedule is required. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor shall also report known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program or when an audited supplemental schedule is required (Section 308.05).
- Requirements of revised OMB A-133 regarding follow-up of prior audit findings has been added to the Audit Guide. This new requirement necessities work by the organization on the current status of prior audit findings (Section 311).

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
Highlights of Changes (Cont.)
June 1997**

SECTION 400

- *To be provided at a later date.*

SECTION 500

- Changed program audit requirement to the organization's fiscal year rather than the contract period (Section 502.01).
- *Reporting requirements to be provided at a later date.*

SECTION 1000

- Addition of Micro-Enterprise Assistance Program to Sections 1110 and 1130.
- Requirement of supplemental financial schedules only when the total expenditures for a City contract is \$300,000 or more (Section 1150.01).
- Agreed-upon procedures report when supplemental schedules are required (Section 1150.01).

SECTION 2000

- Change in CFDA numbers (Section 2120.01)
- Requirement of supplemental financial schedules only when the total expenditures for a City contract is \$300,000 or more (Section 2150.01).
- Auditor's opinion will be required on the supplemental schedules (Section 2150.01).

SECTION 3000

- Certain program types were eliminated from this section since they are no longer pertinent.

SECTION 4000

- Changes in CFDA numbers (Section 4120.01).
- Reference to OMB Circular Compliance Supplement (Provisional 6/97) and Catalog of Federal Domestic Assistance (CFDA) as sources for program and financial compliance procedures (Sections 4130 and 4140).

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
Highlights of Changes (Cont.)
June 1997**

SECTION 4000 (CONT.)

- Requirement of supplemental financial schedules only when the total expenditures for a City contract is \$300,000 or more (Section 4150.01).
- Agreed-upon procedures report when supplemental schedules are required (Section 4150.01).

SECTION 5000

- Addition of Innovative Homeless Initiatives Demonstration Project Program to Sections 5110, 5120 and 5130.

SECTION 6000

AACO Programs:

- Change of program name of Support Services to Aids Care Services.
- Addition of HIV Prevention: Education and Risk Reduction Program to Sections 6130.12 to 6130.15.
- Requirement of supplemental financial schedules only when the total expenditures for a City contract is \$300,000 or more (Section 6150.01).
- Auditor's opinion will be required on the supplemental schedules (Section 6150.01).
- New Exhibits

CODAAP Programs:

- Requirement of supplemental financial schedules only when the total expenditures for a City contract is \$300,000 or more (Section 6250.01).
- New Exhibits

OMH/MR Programs:

- Changes to CFDA Numbers (Section 6320.01).
- Addition of compliance procedures on Early Intervention Program (Section 6330.50).

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
Highlights of Changes (Cont.)
June 1997**

SECTION 6000 (CONT.)

- Changes to financial auditing procedures relating to:
 - Third party revenue (Section 6340.15)
 - Retained revenue (Section 6340.17)
- Addition of the line item "Retained Revenue Allowance" to the Schedule of Adjustments on Program Activity Invoice Summary (Section 6350.04).
- Requirement of supplemental financial schedules only when the total expenditures for a City contract is \$300,000 or more (Section 6350.01).
- Auditor's opinion will be required on the supplemental schedules (Section 6350.01).

Office of Maternal and Child Health:

- Changes to various program descriptions.
- Change in CFDA Numbers (Section 6420.01).
- Requirement of supplemental financial schedules only when the total expenditures for a City contract is \$300,000 or more (Section 6450.01).
- Auditor's opinion will be required on the supplemental schedules (Section 6450.01).
- New Exhibits

Division of Disease Control:

- No changes.

Appendix:

- Inclusion of revised OMB Circular A-133 (Exhibit B).

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE**

TABLE OF CONTENTS

| | <u>SECTION REF.</u> |
|--|-------------------------|
| SECTION 100 - ADMINISTRATION AND OVERVIEW | |
| Purpose and Effective Date of Audit Guide | 101 |
| Applicability of Audit Guide | 102 |
| Auditor Selection and Qualification | 103 |
| Audit Report Delivery and Distribution | 104 |
| Who to Contact for Assistance | 105 |
| SECTION 200 - SUMMARY OF APPLICABLE LITERATURE | |
| General Information | 201 |
| American Institute of Certified Public Accountants | 202 |
| General Accounting Office | 203 |
| Office of Management and Budget | 204 |
| Code of Federal Regulations | 205 |
| City of Philadelphia | 206 |
| Commonwealth of Pennsylvania | 207 |
| Audit Hierarchy | 208 |
| SECTION 300 - GENERAL AUDITING STANDARDS AND REQUIREMENTS | |
| Introduction | 301 |
| Working Papers | 302 |
| Planning | 303 |
| Testing of Compliance with Laws and Regulations | 304 |

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE**

TABLE OF CONTENTS (CONT.)

| | <u>SECTION REF.</u> |
|---|-------------------------|
| SECTION 300 (CONT.) | |
| Major Program Determination | 305 |
| Auditing Requirements | 306 |
| Audit Sampling | 307 |
| Questioning of Costs | 308 |
| Subrecipient Requirements | 309 |
| Disclosure of Possible Fraud, Irregularities and Other Illegal Acts | 310 |
| Follow-up on Prior Audit Report Findings | 311 |
| Written Representations from Management | 312 |
| Exit Conference | 313 |
| | |
| SECTION 400 - REPORTING STANDARDS AND REQUIREMENTS - SINGLE AUDITS | |
| <i>(To be issued)</i> | |
| | |
| SECTION 500 - AUDITING AND REPORTING STANDARDS AND REQUIREMENTS - PROGRAM AUDIT ON AN AWARD (NON SINGLE AUDIT) | |
| Background | 501 |
| Audit Period | 502 |
| Auditing Requirements | 503 |
| Reporting Requirements | 504 |

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
TABLE OF CONTENTS (CONT.)**

| | <u>SECTION REF.</u> |
|---|-------------------------|
| SECTION 600 TO 900 | |
| (Reserved for Future Use) | |
| | |
| SECTION 1000 - CITY REPRESENTATIVE AND DEPARTMENT OF COMMERCE | |
| General Information | 1001 |
| Program Descriptions and Operations | 1110 |
| Federal CFDA Numbers/Other Regulations | 1120 |
| Program Compliance Procedures | 1130 |
| Financial Compliance Procedures | 1140 |
| Supplemental Financial Schedules and Reports | 1150 |
| | |
| SECTION 2000 - DEPARTMENT OF HUMAN SERVICES | |
| General Information | 2001 |
| | |
| <u>CHILDREN AND YOUTH DIVISION AND JUVENILE JUSTICE SERVICES:2100</u> | |
| | |
| General Information | 2101 |
| Program Descriptions and Operations | 2110 |
| Federal CFDA Numbers/Other Regulations | 2120 |
| Program Compliance Procedures | 2130 |
| Financial Compliance Procedures | 2140 |
| Supplemental Financial Schedules and Reports | 2150 |
| Exhibits | |

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE**

TABLE OF CONTENTS (CONT.)

| | <u>SECTION REF.</u> |
|---|-------------------------|
| SECTION 2000 (CONT.) | |
| <u>OTHER HUMAN SERVICES PROGRAMS:</u> | 2200 |
| General Information | 2201 |
| Program Descriptions and Operations | 2210 |
| Federal CFDA Numbers/Other Regulations | 2220 |
| Program Compliance Procedures | 2230 |
| Financial Compliance Procedures | 2240 |
| Supplemental Financial Schedules and Reports | 2250 |
| SECTION 3000 - MAYOR'S OFFICE OF COMMUNITY SERVICES | |
| General Information | 3001 |
| Program Descriptions and Operations | 3110 |
| Federal CFDA Numbers/Other Regulations | 3120 |
| Program Compliance Procedures | 3130 |
| Financial Compliance Procedures | 3140 |
| Supplemental Financial Schedules and Reports | 3150 |
| SECTION 4000 - OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT | |
| General Information | 4001 |
| Program Descriptions and Operations | 4110 |
| Federal CFDA Numbers/Other Regulations | 4120 |
| Program Compliance Procedures | 4130 |
| Financial Compliance Procedures | 4140 |

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
TABLE OF CONTENTS (CONT.)**

| | <u>SECTION REF.</u> |
|--|-------------------------|
| SECTION 4000 (CONT.) | |
| Supplemental Financial Schedules and Reports | 4150 |
| SECTION 5000 - OFFICE OF EMERGENCY SHELTER AND SERVICES | |
| General Information | 5001 |
| Program Descriptions and Operations | 5110 |
| Federal CFDA Numbers/Other Regulations | 5120 |
| Program Compliance Procedures | 5130 |
| Financial Compliance Procedures | 5140 |
| Supplemental Financial Schedules and Reports | 5150 |
| SECTION 6000 - DEPARTMENT OF PUBLIC HEALTH | |
| General Information | 6001 |
| <u>AIDS ACTIVITIES COORDINATING OFFICE:</u> | 6100 |
| <hr/> | |
| General Information | 6100 |
| Program Descriptions and Operations | 6110 |
| Federal CFDA Numbers/Other Regulations | 6120 |
| Program Compliance Procedures | 6130 |
| Financial Compliance Procedures | 6140 |
| Supplemental Financial Schedules and Reports | 6150 |
| Exhibits | |

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE**

TABLE OF CONTENTS (CONT.)

| | <u>SECTION REF.</u> |
|--|-------------------------|
| SECTION 6000 (CONT.) | |
| <u>COORDINATING OFFICE FOR DRUG AND ALCOHOL ABUSE</u> | |
| <u>PROGRAMS:</u> | <u>6200</u> |
| General Information | 6201 |
| Program Descriptions and Operations | 6210 |
| Federal CFDA Numbers/Other Regulations | 6220 |
| Program Compliance Procedures | 6230 |
| <u>COORDINATING OFFICE FOR DRUG AND ALCOHOL ABUSE</u> | |
| <u>PROGRAMS (CONT.):</u> | |
| Financial Compliance Procedures | 6240 |
| Supplemental Financial Schedules and Reports | 6250 |
| Exhibits | |
| <u>OFFICE OF MENTAL HEALTH AND MENTAL RETARDATION:</u> | <u>6300</u> |
| General Information | 6301 |
| Program Descriptions and Operations | 6310 |
| Federal CFDA Numbers/Other Regulations | 6320 |
| Program Compliance Procedures | 6330 |
| Financial Compliance Procedures | 6340 |
| Supplemental Financial Schedules and Reports | 6350 |
| Exhibits | |

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
TABLE OF CONTENTS (CONT.)**

| | <u>SECTION REF.</u> |
|--|-------------------------|
| SECTION 6000 (CONT.) | |
| <u>OFFICE OF MATERNAL AND CHILD HEALTH:</u> | 6400 |
| General Information | 6401 |
| Program Descriptions and Operations | 6410 |
| Federal CFDA Numbers/Other Regulations | 6420 |
| Program Compliance Procedures | 6430 |
| Financial Compliance Procedures | 6440 |
| Supplemental Financial Schedules and Reports | 6450 |
| Exhibits | |
| <u>DIVISION OF DISEASE CONTROL</u> | |
| General Information | 6501 |
| Program Descriptions and Operations | 6510 |
| Federal CFDA Numbers/Other Regulations | 6520 |
| Program Compliance Procedures | 6530 |
| Financial Compliance Procedures | 6540 |
| Supplemental Financial Schedules and Reports | 6550 |

**CITY OF PHILADELPHIA
SUBRECIPIENT AUDIT GUIDE
TABLE OF CONTENTS (CONT.)**

APPENDIX

- A** Notification of Engagement of Independent Auditor
- B** Office of Management and Budget Circular A-133
- C** City of Philadelphia - Contract Cost Principles and Guidelines