



# HUMAN SERVICE AGENCY FINANCIAL REVIEWS & AUDITS

## INFORMATIONAL DOCUMENT FOR CITY GRANT RECIPIENTS

Each September, the City's Contract Accounting Specialist sends out a reminder for agencies to provide their audits / financial statements to the City for our records. We get many questions about this and have developed this document to provide some general guidance.

The reason the City needs this information is that we are required by state and federal agencies to ensure fiscal responsibility on the part of ourselves as well as any agencies that receive funding from the City. City contracts require funded agencies to meet obligations of [2 CFR 200](#), including adherence to generally accepted accounting principles as part of their agency operations. The City reserves the right to scrutinize agency records as part of our monitoring responsibilities.

The following guidance is general, and there may be exceptions to this. In addition, agencies with prior monitoring concerns or findings, or with high staff turnover, may be expected to meet the higher standard than would otherwise be expected based on their expenditures.

**Audit Requirements** – Agencies that expend \$750,000 or more in federal funds in a given year are expected to have an annual single audit conducted. This includes a schedule of expenditures of federal awards (SEFA). Agencies that expend close to this threshold and have over \$1,000,000 in overall expenditures (inclusive of federal funds), are expected to have an annual audit conducted. All documentation, questioned costs, and findings must be shared with the City.

**External Financial Review** – Agencies that expend \$400,000 or more in a given year and do not undergo an audit, are expected to have a financial review conducted by an accounting firm at least every 3 years. This review should include an analysis of the agency's own financial policies and include an assessment of the adequacy of internal control procedures, preferably including spot checks that assess how internal controls are carried out and documented. This review must be shared with the City.

**Internal Financial Review** – Agencies that expend \$150,000 or more in a given year and do not undergo an audit or external financial review, are expected to submit their federal 990, profit and loss, and balance sheet statements annually. They are also expected to have an agency review conducted by people who are not involved in the day-to-day financial activities of the agency, at least every three years. This could include agency board or committee members, or others familiar with the agency but with adequate distance from the staff or board members involved with regular financial activities. This review should look at the agency's financial policies and procedures, compare them with best practices for internal controls, and document the way in which they are carried out. The review should be written up to include the date(s) of review, people involved and their relationship to the agency, summary of what was reviewed, and include any recommendations for improvements. This review and associated financial policies and procedures must also be shared with the City.

**990 Submission** – Agencies that expend less than \$150,000 in a given year are expected to submit their federal 990 to the City.

Please contact your City Contract Manager or administrative staff in the Planning and Community Development Department if you need more specific information.