

California Department of Food and Agriculture

Audits of Specialty
Crop Block Grant
Program Awards

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Presentation Topics

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Background

1. CDFA is responsible for oversight and conducting an audit of costs incurred for the Specialty Crop Block Grant Program - Farm Bill (SCBGP-FB) funds. (7 CFR 1291.11)
2. The Audit Office performs the audit in accordance with the professional standards that requires testing of selected accounting records and related data.
3. The Audit Office provides written a report with recommendations based on the accounting records and related data tested.

CDFA Oversight Objectives

1. Ensure the integrity and the reliability of financial information claimed on invoices.
2. Compliance with policies, procedures, laws and regulations.
3. Promote the economical and effective use of federal resources.
4. Examine the established objectives and goals of the Grant Recipient to ensure they are being accomplished.
5. Ensure assets purchased with Federal funds are safeguarded.

Audit Office Objectives

1. Determine that the costs claimed are reasonable, allowable, allocable, and in compliance with the applicable federal cost principles.
2. Determine that the Grant Recipient is in compliance with the terms and conditions of the agreement and related State and Federal requirements and guidelines.
3. Determine that internal controls are enforced and the Grant Recipient maintained accounting records that clearly identified the cost claimed were incurred for the grant project.

Applicable Cost Principles effective for the 2015 SCBG Program

If your organization (as Recipient) is	Applicable Cost Principles	Applicable Administrative Requirements
State, Local, Tribal Government	2 CFR 200	2 CFR 200
Nonprofit	2 CFR 200	2 CFR 200
Educational Institutions	2 CFR 200	2 CFR 200
For Profit Organizations	48 CFR 31.2	2 CFR 200

Regardless of the type of organization, the Recipient is required to comply with the Uniform Federal Assistance Regulations 7 CFR 3015 and 7 CFR 3052.

Types of Audits Performed

Audit Office performs two assurance engagements of Grant Recipients:

1. Field Audits.
2. Agreed-Upon Procedures (formally labeled as Desk Reviews).

Process for Performing a Field Audit

1. Engagement letter and internal control questionnaire (ICQ) is sent to:
 - Confirm the date and length of field work.
 - Identify the documents and records needed to facilitate the audit.
 - ICQ needs to be completed and returned prior to the start of fieldwork.
2. Planning the audit – the auditor performs an initial analysis of invoiced costs, analytical procedures, and reviews the ICQ prior to field work.
3. Performance of field work – gathering documents and testing invoiced costs to source documents at Recipients Office.

Process for Performing a Field Audit

4. A preliminary exit conference and/or follow-up tele-conference is made once the field work is completed
5. Preliminary draft report is sent to the Grant Recipient with a draft copy of the Management Representation Letter.
6. The Grant Recipient's response to the preliminary draft report is due within 30 days.
7. The Grant Recipient's response is evaluated and included in the final audit report issued.
8. Audit resolution is followed up by the FFMO.

Process for Performing Agreed-Upon Procedures (AUP's)

1. The FFMO selects an invoice to be analyzed.
2. A correspondence requesting documents related to the invoice, the completion of an ICQ, and management representation letter is sent to the grant recipient.
3. Agreed-upon procedures do not typically require travel (field work) to the Grant Recipient's office.

Process for Performing Agreed-Upon Procedures (cont.)

4. An AUP management letter is sent to FFMO communicating the results of the AUP. If necessary, the AUP is upgraded to a field audit.
5. The FFMO resolves any issues noted in the AUP management letter.

Recurring Audit Findings

1. **Lack of detailed support for invoiced costs**

- a) Salary and benefit costs are not supported by timesheets and/or activity reports.
- b) Salaried employees (i.e., Executive Directors) who directly charged time did not maintain a personnel activity report fully accounting for all monthly activities.
- c) Hours paid via Payroll records did not match employee time sheets.

2. **Inadequate 3rd party agreements entered into by the Grant Recipient.**

- a) No written 3rd party agreement was established with contractors.
- b) The 3rd party written agreements were incomplete (i.e., no signatures, no maximum amounts, lack of description of services)
- c) 3rd party contractors/consultants costs exceeded the maximum allowable rates.

Recurring Audit Findings (cont.)

3. **Insufficient/lack of written procedures by the Grant Recipients:**

- a) Over the administration of personnel.
- b) Over the procurement of goods and services.
- c) Over the use and payment of 3rd party contractors/consultants.

4. **Invoiced Costs were inconsistent with budget narrative:**

- a) Line Item Shifts were not always submitted for approval to the FFMO.
- b) Classification of costs claimed on invoices (i.e., equipment, travel) were not consistent with the budget approved by the FFMO.

Best Business Practices

1. Grant Recipients should be familiar with applicable federal and state regulations, laws, and requirements pertaining to federal funds.
 - a) Awareness of updates to the Code of Federal Regulation.
 - b) Updates to the FFMO's Grant Management Procedures Manual are noted.
2. Efficient accounting and recordkeeping practices are emphasized and maintained.
 - a) Adequate accounting records supporting the costs claimed on each invoice is kept in a separate folder.
 - b) Accounting records clearly identify and segregate costs invoiced to the FFMO for the project.

Best Business Practices (cont.)

3. Good Internal Controls are Maintained.
 - a) Written procedures over all business practices and processes are updated annually.
 - b) In the event of employee turnover, back-up employees have been trained on the specific grant administrative requirements.
 - c) A thorough review is performed by the Grant Recipient of the activity and invoices paid to 3rd party contractors and consultants.

Best Business Practices (cont.)

4. All costs invoiced to the FFMO are:
 - a) Allowable, Non-Specialty Crop and Non-Specialty Crop Activity is not billed on invoices.
 - b) Associated with project activities (scope of work).
 - c) Supported and traceable to the accounting records maintained by the Grant Recipient.
 - d) Clearly identified to the grant project.
 - e) Reasonable and allocable to the grant project.

Questions from the Audience



Contact Information

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