

E-7: EXAMPLE AUDIT REPORT EXCERPTS

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Honorable I.M. Good

City of Good Hope

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR 133

We have audited the compliance of the City with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

As described in item 200X-03 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding documentation of related expenses.

Section – Federal Awards Findings and Questioned Costs

Finding 200X-3

Statement of Condition. During our review of required documentation supporting requested reimbursements we noted the following two items lacked sufficient documentation:

1. An expenditure of \$145.92 to Xerox is unsupported by documentation indicating it was an LCDBG expense as opposed to a general City administrative cost.
2. The \$4,700.00 expended for the salary of Ellen Smith, City Clerk, is unsupported by payroll records documenting the hours spent on LCDBG activities as opposed to general City administration.

Criteria. The 200X LCDBG Handbook states:

1. Office equipment may be purchased or leased with LCDBG funds when it is needed to carry out the LCDBG Program. ... any LCDBG funds expended to lease or purchase equipment will result in disallowed costs unless the grantee can establish - and has fully documented in the grant files - that the expenditure(s) was reasonable, necessary, and allowable to the grant, and was not a general expense required to carry out the overall responsibilities of local government as required by OMB Circular A-87 Cost Principles for State and Local Governments.
2. All employees paid in whole or in part from LCDBG funds should prepare a timesheet indicating the hours worked and detailed duties performed on LCDBG projects for each pay period.

Effect of Condition Potential misuse of federal funds.

Cause of Condition Not following standard booking procedures and recording keeping.

Recommendation Accounting department should conduct a review of procedures.

Questioned Costs \$4,845.92