Overview of Procedure
The federal Single Audit Act requires most governmental recipients of federal assistance (e.g., state and local governments) to have organization-wide financial and compliance audits on an annual basis. Federal Office of Management and Budget (OMB) Circular A-133 describes the audit requirement for non-Federal entities fiscal years beginning prior to December 26, 2014. 2 C.F.R. Part 200 Subpart F-Audit Requirements applies to audits of non-Federal entities fiscal years beginning on or after December 26, 2014. This guidance describes the audit requirements for the auditee and auditor. The SDP is required to have a yearly federal Single Audit of federal funds. The City of Philadelphia Controller performs the SDP’s federal Single Audit and is paid for conducting the audit from federal grants awarded to the SDP. This procedure provides a consistent methodology for calculating federal Single Audit costs and for apportioning those costs among federal awards received by the SDP.

Procedure Details
A federal Single Audit is a rigorous, organization wide review that includes both financial and compliance components. In order to ensure that federal Single Audit costs are apportioned fairly and consistently, SDP adheres to the procedures outlined below.

Procedure Steps

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<tr>
<th>RESPONSIBLE POSITION</th>
<th>Step</th>
<th>ACTION TAKEN</th>
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<tr>
<td>SDP</td>
<td>1</td>
<td>During the month of February, the Grants Accounting Unit (GAU) works with the City Controller to determine audit costs to be incurred during the next fiscal year.</td>
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<td>GAU</td>
<td>2</td>
<td>By the end of February, notify Grant Fiscal Services (GFS) of the estimated next fiscal year audit charges.</td>
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| GFS                  | 3    | The Principal Financial Analysts (PFA) calculates the audit percentage to be budgeted to each federal award in the next fiscal year and communicates the percentage to the Grant Budget Analysts (GBAs) in order to budget the audit charge in the applicable federal grants. The calculation percentage is derived as follows: 

\[
\text{Projected Audit Costs in the Next FY} \times \text{Total individual federal award Projected Expenditures} / \text{Total Projected Federal Expenditures in the Next Budget Fiscal Year (12-month budget basis)}
\]
Note: the City Controller’s audit is on a twelve to 18 month delay, that is, audits conducted in one year are for federal fund activity in the prior year. Therefore, it’s possible that a federal fund could be charged an audit expense in one year when the actual audit charges and effort are for prior year activity that did not include that fund. However, the reverse is also true, that is a federal fund may have no activity and not be charged an audit expense in a year, but the actual audit charge may include expense and effort related to that fund’s prior year activity. Therefore, as federal funds roll-in and roll-off the SDP’s books, the charges and actual costs offset each other.

GBA 4

During the fiscal year, book audit expenses for the 1st and 2nd quarter in 3rd quarter and quarterly thereafter. Audit expenses should be booked to federal funds using the percentage provided by the PFA multiplied by the actual expenditures in the quarter. The booking shall move federal dollars from the federal fund to the Audit Fund.

Note: Federal grants with an annual spend of greater or less than $1,000 dollars are exempt from audit charges.

City Controller 5

Bills SDP for Audit Charges which are paid from the Audit Fund.

GA 6

Pays the City Controller from the Audit Fund.

Note: To the extent actual audit charges are more or less than the Audit Fund balance, an incremental percentage adjustment shall be made to the following year percentage calculation as a “true-up” adjustment.

Policy
- **GP2500 External Audits**

Forms

Contacts
- **Grant Accounting Unit**
- **Grant Fiscal Services**

Frequently Asked Questions
Related Information

- OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations for audits of District fiscal years beginning before December 26, 2014
- 2. C.F.R. Part 200 Subpart F-Audit Requirements for audits of District fiscal years beginning after December 26, 2014

History

Amended:

- Amended on 6/4/2015 for reference updates for the Uniform Grant guidance and technical adjustments.