

Procedure:  <b>Federal Single Audit Charges</b>	Policy: <b>External Audits</b>	Number: <b>GP2500.3</b>
	( ) Complete Revision (X) Partial Revision ( ) New	Supersedes:  Page: <b>Page 1 of 2</b>

### 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. *2 C.F.R. Part 200 Subpart F-Audit Requirements* applies to audits of non-Federal entities. 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

RESPONSIBLE POSITION	Step	ACTION TAKEN
GFS Director in Conjunction with Deputy Chief	1	<p style="text-align: center;"><b><u>AUDIT CHARGE RATE DEVELOPMENT</u></b></p> <p>During the month of February:</p> <ol style="list-style-type: none"> <li>1. Discuss with the GAU the potential audit cost of the City Controller for the current and following fiscal year.</li> <li>2. Review the Audit Fund status to determine fund balance and recent actual in-flows (audit charges to awards) and outflows (payment to the City) and the likely flows for the current and next fiscal year.</li> <li>3. Determine the federal funds subject to the audit expense in the current and following fiscal year.</li> <li>4. Determine the new rate, expressed as a percentage of fund expense, to charge funds in the following year.</li> </ol> <p>The goal is to develop an audit expense rate that leaves a reasonable fund balance in the audit expense fund at the end of each fiscal. A reasonable balance for contingencies is approximately one-half of the customary cost of the City Controller to conduct the audit. This balance will vary depending on the timing of the payments to the City Controller and the City Controller's actual audit charge compared to estimate.</p> <p>GFS reserves the right to modify the audit expense charge during the current fiscal year if the fund balance calculation estimate warrants.</p>

RESPONSIBLE POSITION	Step	ACTION TAKEN
GFS Director	2	In March, notify all Analysts in GFS of the new rate to be applied to the federal fund budgets for the following fiscal year.
GBA	3	<p style="text-align: center;"><b><u>APPLICATION OF AUDIT CHARGE TO AWARDS</u></b></p> <p>For federal funds, During the fiscal year, book audit expenses based on the actual fund expenses multiplied by the approved rate for the 1<sup>st</sup> and 2<sup>nd</sup> quarter in the 3<sup>rd</sup> quarter and quarterly thereafter. Therefore, the audit expenses for the first 6 months of the fiscal year should be charged in January, the audit expense for the third quarter should be booked in April, and the final quarter audit expense should be charged in July during the fiscal year Close.</p>
City Controller	4	<p style="text-align: center;"><b><u>PAYMENT OF AUDIT FEES</u></b></p> <p>Bills SDP for Audit Charges to be paid from the Audit Fund.</p>
GAU	5	Pays the City Controller from the Audit Fund.

**Policy**

- [\*GP2500 External Audits\*](#)

**Forms**

**Contacts**

- [\*Grant Accounting Unit\*](#)
- [\*Grant Fiscal Services\*](#)

**Frequently Asked Questions**

**Related Information**

- [\*2. C.F.R. Part 200 Subpart F-Audit Requirements.\*](#)

**History**

**Amended:**

- Amended on 6/4/2015 for reference updates for the Uniform Grant guidance and technical adjustments.
- Amended in July of 2022 for clarification and technical adjustments.

Issue Date: July 1, 2022	Effective Date: July 1, 2022	Approved by: Deputy Chief, Grant Compliance and Fiscal Services
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