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Grant Audits
From Beginning to End



Agenda

- What is a Grant Audit?
- Preparing for an Audit
- Fieldwork
- Internal Controls
- Substantive Testing
- Post-Fieldwork
- Top Audit Findings
- Questions



What is a Grant Audit?

- An independent review of grantee and contractor records.
- Verification of financial records and the accuracy of financial records.
- Confirmation of compliance with contract requirements.



Preparing for an Audit

- Review the Grant Agreement.
- Generally, the Grant Agreement will detail:
 - ✓ How to prepare invoices for submittal to the State
 - ✓ Project budget
 - ✓ Matching cost requirements
 - ✓ Reporting requirements
 - ✓ Miscellaneous requirements



Preparing for an Audit

- **Keys to a Successful Audit:**
 - ✓ Review the grant agreement
 - ✓ Establish a unique account or cost center for each grant
 - ✓ Maintain a separate binder (or electronic file) with the supporting documents
 - ✓ Reconcile the claims for reimbursement with the general ledger and supporting documents



Fieldwork

- Entrance Conference
- Internal Controls
- Substantive Testing



Internal Controls

- **What are Internal Controls?**
 - ✓ Effectiveness and efficiency of operations (Operational)
 - ✓ Reliability of financial reporting (Financial)
 - ✓ Compliance with applicable laws and regulations (Compliance)



Internal Controls

- Characteristics of a Good Internal System include:
 - ✓ Plan of organization
 - ✓ Qualified and honest personnel
 - ✓ Adequate control over fixed assets
 - ✓ System of authorization and record keeping
 - ✓ Sound accounting practices
 - ✓ Effective system of internal review



Internal Controls

- Step 1: Obtain an understanding of internal controls.
- Step 2: Document understanding of internal controls.
- Step 3: Assess Control Risk.



Substantive Testing



Audit Documentation

WHAT IS AN AUDIT TRAIL?

GRANT PAYMENT REQUEST/INVOICE



ACCOUNTING RECORDS



SUPPORTING DOCUMENTATION



Accounting Records

- **General Ledger**
- **Payroll Ledger**
- **Cash Receipts Ledger**
- **Cash Disbursement Ledger**
- **Spreadsheets (Bridging Documents)**



Supporting Documentation

- **Timesheets**
- **Cost Allocation Plan**
- **Vendor Invoices**
- **Cancelled checks or warrants**
- **Check Register**
- **Travel Logs**



Post-Fieldwork

- Exit Conference
 - ✓ Management Rep Letter.
- Complete Work Papers.
- Prepare the Audit Report.



Reminder...

- The Grant Agreement details the fiscal requirements.
- Call your California Integrated Waste Management Board Grant Manager.



**Top 5 Grant
Audit
Findings**



#5

Deliverables Not Met:

- Progress Reports
- Final Report



#4

Materials not Approved by Grantor or Retained



#3

Inadequate Separation of Duties



#2

Ineligible Expenditures Claimed



#1

Lack of Supporting Documentation or Inadequate Records



Questions

