



**“Show Me The Money”  
The Audit Process**

# Learning Objectives

- Explain the purpose and importance of audit evidence.
- Describe the types evidence.
- Ensure that evidence collected meets the standards
- Knowledge of FEMA forms

# Your Accounting System

- ✓ Accurate
- ✓ Current
- ✓ Provide Complete Disclosure of all sources and uses of funds for each individual project
  - Must Provide a Summary of all project expenses
    - Maintain Separate records by project
    - Records must be easily accessible
    - Records should be maintained for 3 years after disaster closes; 3 years after project work is completed

Disaster	Name	Large Project Threshold	Declaration Date	Fiscal Year	Incident Period Begin	Incident Period End
1257	San Antonio Floods	\$47,800	10/21/1998	1999	10/17/1998	11/15/1998
1274	DeKalb Tornado	\$47,800	5/6/1999	1999	5/4/1999	5/4/1999
1287	Hurricane Bret	\$47,800	8/22/1999	1999	8/22/1999	8/26/1999
1323	Ft. Worth Tornado	\$48,900	4/7/2000	2000	3/28/2000	3/29/2000
1356	Ice Storm	\$50,600	1/8/2001	2001	12/12/2000	1/15/2001
1379	Tropical Storm Allison	\$50,600	6/9/2001	2001	6/5/2001	6/20/2001
1425	Texas Floods	\$52,000	7/4/2002	2002	6/29/2002	7/31/2002
1479	Hurricane Claudette	\$53,000	7/17/2003	2003	7/15/2003	7/28/2003
EM 3216	Katrina Evacuation	\$55,500	9/2/2005	2005	8/29/2005	10/1/2005
EM 3261	Rita Preparation	\$55,500	9/21/2005	2005	9/20/2005	10/14/2005
1606	Hurricane Rita	\$55,500	9/24/2005	2005	9/23/2005	10/14/2005
1624	Texas Wildfires	\$57,500	1/11/2006	2006	11/27/2005	5/14/2006
1658	El Paso Floods	\$57,500	8/15/06	2006	7/27/06	8/25/2006
1709	2007 Texas Floods	\$59,700	7/13/07	2007	6/18/07	

# Audit Reference Sources

- Title 44 Code of Federal Regulations (CFR)
- Office of Management & Budget
- Generally Accepted Government Auditing Standards (GAGAS)

# PROJECT CATERGORIES

- ✔ DOCUMENTATION OF YOUR EXPENSES IS CRITICAL TO ENSURE DISASTER REIMBURSEMENT IN BOTH LARGE AND SMALL P.W.
- ✔ Large Project will be audited by the State before final payment is made.

# *What is "Audit Evidence"?*

Information collected and documented, in an organized fashion, to address audit objectives

# Why is Audit Evidence Important?

1. Validates your work – Supports data
2. Credibility to your organization
3. Links to the objectives of project
4. Because it is required to get reimbursed
5. People might want to see what you have

# Is Evidence Appropriate?

## Relevant

- Scope – Subject Matter
- Meet Project Objectives

## Valid

- Logical
- Accurate
- Current
- Authentic

## Reliable

- Data
  - Consistent
  - Verifiable-Can be Checked
  - Replicable

# TWO WAYS TO COMPLETE YOUR PROJECT

- USE OF AN INDEPENDENT CONTRACTOR
- USE OF YOUR OWN WORK FORCE AND EQUIPMENT ALSO KNOWN AS ("FORCE ACCOUNT WORK")

# REQUIRED DOCUMENTATION

## USE OF CONTRACTOR:

- REQUESTS FOR BIDS – FOLLOW YOUR POLICIES
- COPY OF ADVERTISEMENT SOLICITING BIDS
- COPY OF EXECUTED CONTRACT
- PROOF YOU CHECKED THE FEMA/STATE DEBARMENT LIST:
  - [http://www.window.state.tx.us/procurement/prog/vendor\\_performance/debarred](http://www.window.state.tx.us/procurement/prog/vendor_performance/debarred)
  - <http://www.epls.gov/>

**Title 44 Code of Federal Regulations Section §13.35**

# REQUIRED DOCUMENTATION

## (Continued)

- COST PLUS CONTRACTS ARE NOT ALLOWED
- COPY OF INVOICES/RECEIPTS, CANCELLED CHECKS/BANK STATEMENTS, AFFIDAVIDS AND INSPECTION REPORTS
- USE OF "CONTRACT WORK SUMMARY FORM"  
(See Sample Forms)

FEDERAL EMERGENCY MANAGEMENT AGENCY  
**CONTRACT WORK SUMMARY RECORD**

Page **1** of **1**

1. APPLICANT	2. PAID	3. PROJECT NO.	4. DISASTER NUMBER
5. LOCATION/SITE	6. CATEGORY		7. PERIOD COVERING 00/00/00 to 00/00/00
8. DESCRIPTION OF WORK PERFORMED			

DATES WORKED	CONTRACTOR	BILLING/INVOICE NUMBER	AMOUNT	COMMENTS-SCOPE
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
00/00/00 to 00/00/00			\$ -	
<b>GRAND TOTAL</b>			\$ -	

I CERTIFY THAT THE ABOVE INFORMATION WAS OBTAINED FROM PAYROLL RECORDS, INVOICES, OR OTHER DOCUMENTS THAT ARE AVAILABLE FOR AUDIT.

CERTIFIED	TITLE	DATE
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# REQUIRED DOCUMENTATION WITH USE OF "FORCE ACCOUNT LABOR"

## FORCE ACCOUNT LABOR:

### ● Maintain a Daily Log of Activity

#### ● Record:

- Regular Hours
- Overtime Hours
- Temporary Hours
- Hourly Rate of Pay
- Rate of Fringe Benefits for RT
- Rate of Fringe Benefits for OT
- Rate of Fringe Benefits for TT

# Force Account Labor Documentation: (Continued)

- Provide a Summary of Total Hours Worked and Total Labor Costs
- Maintain Source Documents:
  - Payroll Journals (payroll summary)
  - Time cards/sheets
  - Cancelled Checks/Bank Statements
  - Keep records separate by project
- Use "Force Account Labor Summary"  
(See Sample Forms)

**FEDERAL EMERGENCY MANAGEMENT AGENCY  
FORCE ACCOUNT LABOR SUMMARY RECORD**

Page \_\_\_\_\_ of \_\_\_\_\_

1. APPLICANT	2. PA ID	3. PW #	4. DISASTER NUMBER
5. LOCATION/SITE		6. CATEGORY	7. PERIOD COVERING to
8. DESCRIPTION OF WORK PERFORMED			

NAME	DATES AND HOURS WORKED EACH WEEK							COSTS				
	JOB TITLE	DATE	MON	TUE	WED	THUR	FRI	TOTAL HOURS	HOURLY RATE	BENEFIT RATE/HR	TOTAL HOURLY	TOTAL COSTS
NAME	REG.								\$	/	\$	\$
JOB TITLE	O.T.								\$	/	\$	\$
NAME	REG.								\$	/	\$	\$
JOB TITLE-	O.T.								\$	/	\$	\$
NAME	REG.								\$	/	\$	\$
JOB TITLE	O.T.								\$	/	\$	\$
NAME	REG.								\$	/	\$	\$
JOB TITLE	O.T.								\$	/	\$	\$
NAME	REG.								\$	/	\$	\$
JOB TITLE	O.T.								\$	/	\$	\$
<b>Total Cost for Force Account Labor Regular Time</b>											➔	\$
<b>Total Cost for Force Account Labor Overtime</b>											➔	\$

**I CERTIFY THAT THE ABOVE INFORMATION WAS OBTAINED FROM PAYROLL RECORDS, INVOICES, OR OTHER DOCUMENTS THAT ARE AVAILABLE FOR AUDIT.**

CERTIFIED	TITLE	DATE
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# Fringe Benefit Analysis

## • “Applicant’s Benefits Calculation Worksheet

(See Sample Forms)

- An analysis of your employee fringe benefits:
  - Holidays
  - Sick Leave
  - Employer’s matching Social Security
  - Employer paid insurance
  - Employer Contribution to Workman’s Comp.
  - Employer Contribution to Retirement Fund
- Sub-grantee must be able to show pay policy or actual calculation of Fringe Rate during audit

FEDERAL EMERGENCY MANAGEMENT AGENCY  
**APPLICANT'S BENEFITS CALCULATION  
 WORKSHEET**

PAGE \_\_\_\_\_ OF \_\_\_\_\_

1. APPLICANT \_\_\_\_\_ 2. PA ID \_\_\_\_\_

3. DISASTER NUMBER \_\_\_\_\_ 4. PW # \_\_\_\_\_

FRINGE BENEFITS (by %)	REGULAR TIME	OVERTIME
HOLIDAYS		
VACATION LEAVE		
SICK LEAVE		
SOCIAL SECURITY		
MEDICARE		
UNEMPLOYMENT		
WORKER'S COMP.		
RETIREMENT		
HEALTH BENEFITS		
LIFE INS. BENEFITS		
OTHER		
<b>TOTAL in % of annual salary</b>		

COMMENTS

  
  
  
  
  
  
  
  
  
  

I CERTIFY THAT THE INFORMATION ABOVE WAS TRANSCRIBED FROM PAYROLL RECORDS OR OTHER DOCUMENTS WHICH ARE AVAILABLE FOR AUDIT.

CERTIFIED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

# Force Account Equipment

- ☛ Maintain Daily Log of Equipment Usage:  
(See Sample Form)
  - FEMA Equipment Codes
  - FEMA Equipment Rates- include fuel, maintenance, insurance, & depreciation  
(See Handout)
- ☛ Maintain Source Documents
  - Payroll Records
  - Equipment Invoices
  - Cancelled Checks/Bank Statements
  - Equipment Ownership

**FEDERAL EMERGENCY MANAGEMENT AGENCY  
FORCE ACCOUNT EQUIPMENT SUMMARY RECORD**

Page \_\_\_\_\_ of \_\_\_\_\_

1. APPLICANT	2. PA ID	3. PW #	4. DISASTER NUMBER
5. LOCATION/SITE		6. CATEGORY	7. PERIOD COVERING to

8. DESCRIPTION OF WORK PERFORMED

TYPE OF EQUIPMENT		OPERATOR'S NAME	DATES AND HOURS USED EACH DAY							COSTS		
INDICATE SIZE, CAPACITY, HORSEPOWER, MAKE AND MODEL AS APPROPRIATE	EQUIPMENT CODE NUMBER		DATE							TOTAL HOURS	EQUIPMENT RATE	TOTAL COST
			HOURS								\$	\$
			HOURS								\$	\$
			HOURS								\$	\$
			HOURS								\$	\$
			HOURS								\$	\$
			HOURS								\$	\$
			HOURS								\$	\$
			HOURS								\$	\$
<b>GRAND TOTALS</b>											\$	

I CERTIFY THAT THE ABOVE INFORMATION WAS OBTAINED FROM PAYROLL RECORDS, INVOICES, OR OTHER DOCUMENTS THAT ARE AVAILABLE FOR AUDIT.

CERTIFIED	TITLE	DATE
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# Force Account Material

- ☛ Use of Materials Summary Record
  - Provide Vendor Name
  - Description and Quantities Purchased
  - Unit Price
- ☛ Maintain Copy of:
  - Invoices
  - Cancelled checks
  - Purchase Orders
  - Inventory Cost Records
- ☛ See sample forms handout

**FEDERAL EMERGENCY MANAGEMENT AGENCY  
MATERIALS SUMMARY RECORD**

Page \_\_\_\_\_ of \_\_\_\_\_

1. APPLICANT	2. PA ID	3. PW #	4. DISASTER NUMBER
5. LOCATION/SITE		6. CATEGORY	7. PERIOD COVERING to

8. DESCRIPTION OF WORK PERFORMED

VENDOR	DESCRIPTION	QUAN.	UNIT PRICE	TOTAL PRICE	DATE PURCHASED	DATE USED	INFO FROM (CHECK ONE)	
							INVOICE	STOCK
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
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			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
			\$	\$			<input type="checkbox"/>	<input type="checkbox"/>
<b>GRAND TOTAL</b>				\$				

I CERTIFY THAT THE ABOVE INFORMATION WAS OBTAINED FROM PAYROLL RECORDS, INVOICES, OR OTHER DOCUMENTS THAT ARE AVAILABLE FOR AUDIT.

CERTIFIED	TITLE	DATE
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# Cost Overruns

- Definition: Any cost in excess of original cost projection
  - Resulting from:
    - Underestimation of the total costs of the project when written
    - Discovery of additional damage as a result of the disaster not originally anticipated or known
- If cost overrun occurs applicant should notify State PAO as soon as possible, make a request for additional funding and provide justification of eligibility for additional work  
(This needs to be added into the scope of work)

# Cost Overrun Request

- Forwarded to FEMA with State recommendation
  - May require site inspection
  - May not be approved

**Division of Emergency Management**  
 Texas Department of Public Safety  
 Summary of Documentation in Support of Claimed Amount

**Applicant:** \_\_\_\_\_ **FEMA** \_\_\_\_\_ **DR TX** \_\_\_\_\_ **Project Worksheet (PW):** \_\_\_\_\_

References	Dates	Item Description	Line Item Amount	Total Claimed Actual Cost	Total Per FEMA PW
Payroll, Time Cards, Work Orders, Personnel policies.  Labor use log	Inclusive Dates	<b>Force Account Labor</b> <b>Regular Time</b> <b>Overtime</b> <b>Fringe Benefits (Regular)</b> <b>Fringe Benefits (Overtime)</b>		Total of Line Items for Category	Total for category from FEMA PW
FEMA No. for Force Account and invoice and checks for rentals.  Equipment use logs	Inclusive Dates	<b>Equipment</b> <b>Force Account</b> <b>Rental</b>			
Load Tickets, Invoice & Check Numbers  Material Use log.	Date Delivered	<b>Material</b> <b>Major Material Item...</b>  <b>Miscellaneous Material Items...</b>			
Bid Documents, Contract, Invoice and check numbers.  Contract Log	Inclusive dates and PW numbers if Contract covers more than one.	<b>Contract</b> <b>Line Items if Applicable...</b>			

**Total**

Description of work accomplished and explanation of cost differences between Actual Costs and FEMA PW amounts. Use additional sheet if necessary.

**EXPLAINER**

# Funding Sources

- Applicants may not receive funding from two sources to repair disaster damage.
  - If the applicant can obtain assistance for a project from a source other than FEMA, including insurance proceeds, then FEMA cannot provide funds for the project.

# Audits

- All Large Project will be audited by State Recovery Auditors
- Responsibilities of Sub-grantees:
  - Provide Notification of Project Completion by:
    - Submit a (P.4. Project Completion Certification Report]
    - Submit Claim Summary Form
    - Submit Statement of Final Cost letter to Public Assistance Officer, (PAO)
  - Maintain Source Documents and make them available during audit
  - Maintain separate file for each PW - Project

# Administrative Costs are based on a sliding scale:

- ☛ 3% of the first \$100,000
- ☛ 2% of the next \$900,000
- ☛ 1% of the next \$4,000,000
- ☛ 0.5% of assistance over \$5,000,000

(All disasters before Sept. 1, 2007)

# Single Audit Act 1984

- Public Assistance grant recipients who expend more than \$500,000 or more in Federal Funds in a fiscal year are required to have single audit [OMB A-133]
  - Due 30 days after Fiscal Year End but not later than nine months after Fiscal Year End
  - Send Package
    - Federal Clearing House
    - Pass through agencies if findings in their programs. If no findings certification that OMB A-133 requirements have been met is all that is necessary.

# Continue: Single Audit

- OMB A-133 Single Audit
- Package Contents for Pass - through agencies
  - Financial Statements and schedule of expenditures of Federal awards
  - Summary schedule of audit findings current and prior year
  - Auditor's Report
  - Corrective action plan

# "When Do I get my Check"

- ☛ Once PA sends payment request to Austin and is received by our Grants/Contracts Technician
- 3 to 7 day turn around
  - 24 hours to enter information
  - 24 hours sent to our accounting department
  - 24 hours at comptroller office
  - 24 hours to be DD or Check is cut
  - 3 days Postal Service

<b>TABLE OF CONTENTS</b>	
<b>AUDIT LOCATION – DISASTER #, PW #</b>	
<b>SECTION 1:</b>	Signed P.4; With claim amount
<b>SECTION 2:</b>	Letter Sent to DEM stating the project is complete & list of final claim amount
<b>SECTION 3:</b>	Completed Claim Summary Form
<b>SECTION 4:</b>	Current Insurance Policy
<b>SECTION 5:</b>	Project Worksheet
<b>SECTION 6:</b>	Bid Package: a. Advertisement of bid b. Letter stating contractor selection process c. Responses to advertisement, list of bidders d. If no bids taken - a narrative as to why
<b>SECTION 7:</b>	Receipts for non-contract items
<b>SECTION 8:</b>	A printout of the confirmation from the excluded parties listing system. <b>(Reference: Section 7)</b>
<b>SECTION 9:</b>	Signed Contract
<b>SECTION 10:</b>	Procurement Policy
<b>SECTION 11:</b>	Purchase Orders <b>(Reference: Section 7)</b>
<b>SECTION 12:</b>	Change Orders
<b>SECTION 13:</b>	Invoices
<b>SECTION 14:</b>	Force Account Labor records <b>(Reference: Section 3)</b>
<b>SECTION 15:</b>	Supplies, Materials, and Equipment Costs Summaries & back up records
<b>SECTION 16:</b>	Project Progress Reports
<b>SECTION 17:</b>	Payments a. Cancelled Checks b. Electronic Transfer Records c. Voucher Payment Records <b>(Reference: Section 7)</b>

*Why Documentation Is So  
Important ?*

**Remember**  
Undocumented eligible  
expenses will **not** be  
reimbursed