Department of Housing and Community Development

Financial Statement & Audit Policy

Policy No. 10430 Financial Statement & Audit Policy
Effective: 10/01/2024
Last Reviewed: 10/01/2024

PURPOSE

Awardees of DHCD grants are required to submit financial statements and/or audits to help determine risk and ensure compliance with state, federal, and/or program specific requirements.

POLICY

All grantees, sub-grantees, CHDOs, sub-recipients, localities, developers, or any other organizations that receive funding during a program year and/or have projects in progress are required to submit financial statements to DHCD.

Required statements are as follows: Financial Statement(s)**, Reviewed Financial Statement(s) that have been reviewed by an Independent CPA, Financial Statement(s) that have been audited by an Independent CPA or an audit required by the Code of Federal Regulations (CFR), (2 CFR 200 Subpart F), audited by an independent CPA. Please see the table below to determine which documents your organization is required to submit.

If the entity expends awards under **only one DHCD program** and the program's statutes or regulations, or terms and conditions of the award do not require a financial statement audit, the entity may elect to have a program-specific audit conducted.

The threshold requirements outlined below are the minimal standards required by DHCD.

Threshold Requirement	Document
Total annual expenditures ≤ $350,000 (Regardless of source)	Financial Statement(s) prepared by organization**
Total annual expenditures > $350,000 (Regardless of source)	Reviewed Financial Statement(s) – Reviewed by an Independent CPA
Total annual expenditures > $550,000 (Regardless of source)	Financial Statement(s) – Audited by an Independent CPA
Federal expenditures ≥ $1,000,000	2 CFR 200 Subpart F Audit – Audited by an Independent CPA

** Does not require preparation by a CPA

SUBMISSION REQUIREMENTS

Required financial statements/audit must be submitted yearly, within nine (9) months after the end of your fiscal year or 30 (thirty) days after it has been accepted (reviewed financial statement(s), audited financial statements, and 2 CFR 200 Subpart F audit only) - whichever comes first.

Entities must electronically submit their financial statement(s), reviewed financial statements, audited financial statements, 2 CFR 200 Subpart F audit, or program specific audit in DHCD's Centralized Application and Management System (CAMS) which requires the organization to register in CAMS at https://dmz1.dhcd.virginia.gov/camsportal/Login.aspx. Entities are required to have a DHCD reviewed and approved current audit or reviewed financial statement(s) in order to submit a remittance request.

FINANCIAL STATEMENTS

Financial statements should include an organization's Statement of Activity (Income Statement), a Statement of Financial Position (Balance Sheet) and a Statement of Cash Flow. The Statement of Activity, also known as the Profit and Loss Statement, includes your financial performance over a period of time and is composed of the following two elements: income and expenses. The Statement of Financial Position summarizes the assets, liabilities and equity of the organization at a specified date. This statement is a snapshot of the organization's financial position on that date. The Statement of Cash Flow summarizes the resources (i.e. cash and cash equivalents) that become available to the organization during the reporting period and the uses of those resources. The cash flow statement reports the income that has been received and the expenses that have been paid for the specified period and is categorized into the following categories: operating activities, investing activities, and financing activities.

REVIEWED FINANCIAL STATEMENTS

Reviewed financial statements are required for all entities that expend more than $350,000 and these statements require an Independent CPA to perform inquiry and analytical procedures that extend beyond the scope of a compilation review[1]. Upon completion, a report is issued with "limited assurance" stating that a review has been performed in accordance with the American Institute of CPA's (AICPA) professional standards, that a review is less in scope than an audit, and that the CPA did not become aware of any material modifications that should be made in order for the statements to be in conformity with generally accepted accounting principles.

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements are required for all entities that expend more than $550,000 regardless of source. Audited Financial Statements require an Independent CPA to perform inquiry and analytical procedures that extend beyond the scope of compiled or reviewed statements, including verification and substantiation procedures. These verification and substantiation procedures may include direct correspondence with creditors or debtors to verify details of amounts owed, physical inspection of inventories or investment securities, inspection of minutes and contracts, and other similar steps. Also, the CPA gains a knowledge and understanding of the entity's system of internal control. Upon completion, a report is issued with "positive assurance" stating that a review has been performed in accordance with both the American Institute of CPA's (AICPA) professional standards and generally accepted auditing standards and expresses an opinion that the financial statements present fairly the entity's financial position and results of operations.

2 CFR 200 Subpart F AUDIT (Single Audit)

All non-Federal entities that expend $1,000,000 or more of Federal awards in the entity's fiscal year must have a single audit conducted in accordance with §200.514 Scope of audit.

A single audit requires an Independent CPA to conduct an entity-wide audit consisting of two main parts: an audit of the basic financial statements and an audit of the entity's major Federal award programs. The audit of financial statements must determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting

principles. The auditor must also determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements as a whole. The audit of the major programs includes (a) gaining an understanding of and testing the internal controls and performing tests of internal controls over the federal programs and (b) a compliance audit governing laws and regulations and the provisions of contracts and grants of the Federal award programs.

Upon completion, a report is issued with the CPA's opinion on whether an organization has complied with laws, regulations and the provisions of contracts or grants that have a direct and material effect on each of its major programs.

PROGRAM SPECIFIC AUDIT

An entity may elect to have a program-specific audit conducted if the following conditions are met: (1) The entity expends awards under only one DHCD program; and (2) The program's statutes or regulations, or terms and conditions of the award, do not require a financial statement audit of the entity.

In some cases, a program-specific audit guide will be available for federally funded programs to provide specific guidance to the auditor with respect to internal controls, compliance requirements, and suggested audit procedures and reporting requirements in the compliance supplement.

For non-federal awards and federal (pass-through) awards where the current program-specific audit guide is not available, the auditor must: (1) Perform an audit of financial statements for the DHCD program in accordance with GAGAS; (2) Obtain an understanding and perform tests of internal controls over the DHCD program; (3) Perform procedures to determine whether the auditee has complied with statutes, regulations, and terms and conditions of the DHCD award that could have a direct and material effect on the program; (4) Follow up on any prior audit findings; and (5) Report any audit findings.

The auditor report(s) must state that the audit was conducted in accordance with GAGAS and include the following: (1) An opinion (or disclaimer of opinion) as to whether the financial statement(s) of the program is presented fairly in all material respects; (2) A report on internal control related to the DHCD program; (3) A report on compliance with laws, regulations, and terms and conditions of the award which could have a direct and material effect on the program; and (4) A schedule of findings and questioned costs for the program.

SUBMISSION EXTENSION REQUESTS

The DHCD Chief Financial Officer may grant an extension of time to submit financial reports/audit (to DHCD only) for "good cause shown." Good cause is evidenced by situations that are unusual, infrequent, or not able to be anticipated.
Extensions are not automatic; each request is individually reviewed.

Entities needing to request a deadline extension for submitting its annual financial statement(s) and/or audit to DHCD must submit:

1. Fill out the 'Request for Extension of Financial Statement(s)/Audit Submission' form and submit to DHCD CFO ***and*** DHCD Program Representative.

A request for extension of time to submit financial statement(s)/audit to DHCD will either be granted or denied based upon the specific facts and circumstances of each case.

ADMINISTRATION OF POLICY

The DHCD Fiscal Services Unit shall oversee this policy and shall review it at least once every two years. Changes to this policy shall be made in accordance with federal and state regulations and policies.

[1] Compilation review entails the most basic level of service CPAs provide with respect to financial statements. In a compilation, the CPA must comply with certain basic requirements of professional standards, such as having a knowledge of the client's industry and applicable accounting principles, having a clear understanding with the client as to the services to be provided, and reading the financial statements to determine whether there are any obvious departures from generally accepted accounting principles (GAAP, or, in some cases, another comprehensive basis of accounting used by the entity).