From:	DENADELF@sao.wa.gov
To:	Frank Downard
Cc:	DenAdel, Felicia (SAO); Young, Joshua (SAO); Strand, Ann (SAO); Shaw, Alisha (SAO); Osborne, Lindsay (SAO); Styrna, Julie (SAO); Nguyen, Kim (SAO); Tenny, Sam (SAO); Fenton, Crystal (SAO)
Subject:	Response to Client Helpdesk Request 93202
Date:	Wednesday, January 25, 2023 1:25:52 PM

Your request # 93202 for Auburn, City of has been resolved.

Your question was:
Is the City of Auburn's plan to document and report expenditures of direct SLFRF funds, as detailed below, reasonable and sufficient to meet audit requirements?

The background information you provided was:
This is in response to our previous request, 93138. Thank you for your reply. To follow up on our previous question, the City is planning to claim 100% of the salaries and benefits for all employees assigned to the Police Department (PD) as an eligible use of our direct SLFRF funds, as long as those salaries/benefits are not already reimbursable by another source. We are currently documenting these costs using payroll reports indicating the name, position, hours and amounts charged per employee on a quarterly basis for each employee in the PD. We believe this is adequate documentation. While we are using our SLFRF funding for PD salaries and benefits, the City is submitting expense reports to Treasury using expense amounts based on our internal tracking of several other projects. Therefore, the amount of eligible expenses that the City can substantiate with documentation exceeds the amount we are reporting to the Treasury each quarter, rather than tying directly to it. According to our interpretation, this is reasonable, since a) the costs we are reporting to Treasury are allowable, and b) we are incurring more eligible costs than we are actually reporting, and c) we have adequate documentation for the expenses we are reporting to Treasury. Can we get SAO's opinion on whether our interpretation above is correct and-if implemented properly-will meet audit requirements? Additionally, given the information above, is it reasonable that the City could report 100% of its remaining SLFRF expenditures to Treasury in Q4-2022, considering that the City's entire award amount was exceeded by eligible PD salary and benefit expenditures in 2022? Conversely, could the City do the same in 2023 by updating prior year reports with the Treasury?

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Our response is as follows:
In the fiscal year 2022 audits we will be auditing the required reports submitted to Treasury. Per the 2022 Compliance Supplement, the auditor must audit the interim report, project and expenditure report, and recovery plan performance report as applicable.

The audit objective for reporting is to determine whether required reports for federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements. The auditor will be determining if what the entity reported to Treasury reconciles to the actual eligible/allowable expenditures it charged to the award/federal program. Therefore, the specific expenditures must be identifiable, not just "pool" a group of expenditures and say they all are eligible. You can only claim expenditures up to the award amount. Also, if you are using some or all of the award under the revenue loss eligible use category, you can only charge actual, identifiable eligible costs up to the amount of revenue loss claimed (calculated or the standard allowance, not to exceed the award amount).

The key line items the auditor must test are as follows:

Key Line Items - The following line items contain critical information for the Interim Report:
1. Obligations and Expenditures
. Current period obligation
. Cumulative obligation
. Current period expenditure
. Cumulative expenditure

Key Line Items - The following line items contain critical information for the Project and Expenditure Report:
1. Obligations and Expenditures
. Current period obligation
. Cumulative obligation
. Current period expenditure
. Cumulative expenditure

2. Subawards

3. Detailed information on any loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient that are greater than $50,000. For amounts less than $50,000, the recipient must report in the aggregate for these same categories of loans issued; contracts and grants awarded; transfers made to other government entities; and direct payments made by the recipient.

Key Line Items - The following line items contain critical information for the Recovery Plan Performance Report:
1. Public Disclosure Link
. The URL is publicly accessible.
. The URL is prominently displayed on the main page or the main COVID response page of the recipient's website

To answer your questions, report only to Treasury the actual eligible, allowable expenditures that have been reviewed, approved, and adequately documented as spent (as you indicated in the background information you are doing for the PD costs). The reports should reconcile to the accounting records, including any subsidiary ledgers used to track the costs (official records of the entity).

Hopefully that helps clarify, if not, let me know.

Thank you for using the HelpDesk.

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If you have additional follow-up questions, please reference this request number when you contact us again. A copy of this response is provided to your audit team to ensure that we are consistent and efficient when working with you.

Sincerely,
FELICIA DenAdel

Disclaimer: Answers are informational only and are based on the specific circumstances presented. As laws and circumstances change, or additional facts are presented, the answer is subject to change. The information provided by the Washington State Auditor's client helpdesk is not a legal or a binding opinion.

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