

1) SAMPLE - INDEPENDENT AUDITOR'S REPORT - UNMODIFIED OPINION

Independent Auditor's Report

Members of Tribal Council
Upnorth Tribal Housing
Upnorth, Alaskap

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Upnorth Tribal North Housing UTH as of and for the year ended September 30, 20XX, and the related notes to the financial statements, which collectively comprise of UTH's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Upnorth Tribal Housing as of December 31, 20XX, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis and required budget to actual schedules that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upnorth Tribal Housing's basic financial statements. The information listed in the Table of Contents as "Additional Supplementary Information", which includes Other Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The "Additional Supplementary Information" listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying "Additional Supplementary Information" is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Members of Tribal Council
Upnorth Alaska

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 5, 20X1, on our consideration of Upnorth Tribal Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UTH's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upnorth Tribal Housing's internal control over financial reporting and compliance.

Auditor's signature

Anchorage, Alaska

April 5, 20X1

2a) COMPLIANCE REPORT

AUDITOR'S NAME
ADDRESS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Members of the Tribal Council
Upnorth Tribal Housing

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upnorth Tribal Housing as of and for the year ended December 31, 20XX, and the related notes to the financial statements, which collectively comprise Upnorth Tribal Housing's basic financial statements, and have issued our report thereon dated April 5, 20X1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UTH's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UTH's internal control. Accordingly, we do not express an opinion on the effectiveness of UTH's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Members of the Tribal Council
Upnorth Alaska

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. See schedule of findings and questioned cost *Finding 20XX-001*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UTH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Upnorth Tribal Housing's Response to Findings

UTH's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. UTH's responses were not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Auditor's signature

Anchorage, Alaska
April 5, 20X1

2b) COMPLIANCE REPORT

AUDITOR NAME
ADDRESS

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by *the Uniform Guidance*.

Independent Auditor's Report

Members of the Tribal Council
Upnorth Tribal Housing
Upnorth Alaska

Report on Compliance for Each Major Federal Program

We have audited UUpnorth TTribal Housing's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of UTH's major federal programs for the year ended December 31, 20XX. UTH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Upnorth Tribal Housing's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UTH's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Members of the Tribal Council
Upnorth Tribal Housing

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UTH's compliance

Opinion on Each Major Program

In our opinion, the Upnorth Tribal Housing complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 20XX.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 20XX-002. Our opinion on each major federal program is not modified with respect to this matter.

Upnorth Tribal Housing's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Upnorth Tribal Housing's response was not subjected to the auditing procedures applied in the audit of compliance accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Upnorth Tribal Housing is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Upnorth Tribal Housing's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Members of the Tribal Council
Upnorth Tribal Housing

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 20XX-002, that we consider to be a deficiency.

Upnorth Tribal Housing's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Upnorth Tribal Housing's response was not subjected to the auditing procedures applied in the compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Auditor Signature

Anchorage, Alaska
April 5, 20X1

3a: SECTION I SAMPLE

UPNORTH TRIBAL HOUSING
Schedule of Findings and Questioned
Costs Year Ended December 31, 20XX

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report? Yes X No

Internal control over financial reporting:
Material weakness(es) identified? X Yes No
Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1)):
Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? X Yes None reported

Any material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))? Yes X No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a)(3) or (4)? Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.441
14.867
14.862

Indian Health Services Indian
Housing Block Grant
Indian Community Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

3b: SECTION II SAMPLE

UpNorth Tribal Housing
Schedule of Findings and Questioned Costs, Continued

Section II- Financial Statement Findings

Finding 20XX-001

Internal Control Over Credit Cards

Material Weakness

Condition:	During our review of the credit card activity it was determined that reconciliations between the card activity and the general ledger were not performed timely. Several transactions lacked adequate supporting documentation of purchase or approval.
Criteria:	Proper internal controls require reconciliation between the card's activity and the general ledger to be completed on a monthly basis. There should also be controls in place that ensure proper retention of supporting documentation.
Context:	During our testwork over credit card transactions we discovered several transactions which lacked supporting documentation or were not properly recorded in the general ledger.
Cause:	Lack of internal controls over the use of credit cards to ensure proper review, approval and recording of credit card transactions.
Effect:	Lack of internal control over the use of credit card creates a potential for misstatement of the financial statements, as well as increases the risk of fraud at the organization.
Recommendation:	Credit card transactions should be accompanied with proper approved supporting documents. Expenditures should be reviewed by an authorized individual who does not have access to the credit cards to ensure each transaction is allowable and properly recorded in the general ledger.
Management Response:	Management concurs with this finding. See Corrective Action Plan.

3c: SECTION III SAMPLE

UPNORTH TRIBAL HOUSING
Schedule of Findings and Questioned Costs, Continued

Section III – Federal Award Findings and Questioned Costs

<u>Finding 20XX-002</u>	<u>Activities Allowed or Unallowed and Allowable Costs/Cost Principles</u>
Significant Deficiency/ Noncompliance	U.S. Department of Housing and Urban Development, Indian Housing Block Grant, CFDA #14.867, Grant No. 55-IH-99-99999
Condition:	During our testing of allowable costs/activities allowed and unallowed, we noted several payroll transactions where the hours paid to the employee were not adequately supported by an approved time card; the hours reported on the timesheet did not match hours paid to the employee.
Criteria:	Per 2 CFR part 200.430, subpart E, personnel expenses recorded into a federal grant must be based on records that accurately reflect the work performed. Hourly employees should be paid for hours worked and documented through a system of internal controls which provides reasonable assurances that the charges are accurate, allowable and properly allocated.
Context:	5 out of 35 payroll transactions selected as part of our compliance sample did not match hours reported on the timesheet. We have determined this to be a systemic issue.
Cause:	UTH was not following their established procedures relating to supervisor review and approval of timesheets. In addition, a review of hours paid compared to timesheets was not occurring.
Effect:	Lack of internal control over compliance creates a risk that UTH will expend funds for non-grant purposes.
Questioned Costs:	None over reporting threshold.
Recommendation:	UTH should implement procedures to ensure that all payroll transactions are properly reviewed and approved for payment, and that payroll hours are checked by supervisors, timecards are totaled and signed by both employee and supervisor and employees' pay rates and deductions are accurate.
Management Response:	Management concurs with this finding. See Corrective Action Plan.

4: STATUS OF PRIOR YEAR FINDINGS SAMPLE

UPNORTH TRIBAL HOUSING
Summary of Prior Audit Findings
December 31, 20XX

Federal Award Findings

Finding 20X0-001

Internal Control over Reporting and Compliance

**Material Weakness/
Material Noncompliance**

**U.S. Department of Housing and Urban Development, Indian Housing
Block Grant, CFDA #14.867, Grant No. 55-IH-99-99999**

Condition:

During our testing of allowable costs/activities allowed and unallowed, we noted four payroll transactions where the hours paid to the employee were not adequately supported by an approved time card; the hours reported on the time sheet did not match hours paid to the employee.

Status:

This finding has been resolved.

Finding 20X0-002

Internal Control over Reporting and Compliance

**Material Weakness/
Material Noncompliance**

**U.S. Department of Housing and Urban Development, Indian
Community Development Block Grant, CFDA #14.862, Grant Number
555-IH-99-99999**

Condition:

UTH did not adhere to the Uniform Guidance requirement of submitting their audit reporting package within the earlier of 9 months after year end or 30 days after report issuance.

Status:

This finding has been resolved.

5: CORRECTIVE ACTION SAMPLE

UPNORTH TRIBAL HOUSING
Corrective Action Plan

Finding 20XX-001

Internal Control over Credit Cards

Name of Contact Person: Finance Director

Corrective Action: We concur with the recommendation. We have implemented policies and procedures regarding control over credit cards, who are authorized users, and process for submitting credit receipts, and reconciliation.

Proposed Completion Date: June 8, 20XX.