

2) Prepared By Client List.

The PBC list is the auditor's list of documents it requires before the engagement. As noted below, this list can be long, so make sure you set aside adequate time to put together the documents for the auditors.

When you think about what you need to do to be "audit ready" you can start with this list below. The trainer recommends reconciling and preparing support documentation for each account on the Statement of Net Position each month. If the Tribe/TDHE completes this activity every month their books are going to be in order as the PBC list requires support documents for many of the balance sheet accounts.

The items listed below are included in a typical PBC list for a client with a December 31, year-end:

1. **Planning:**

- a) A comparative trial balance, with balances at 12/31//2017 and 12/31/2018. – **Excel**
- b) A PDF list of the 2018 Board members.
- c) Electronic copies of the Board minutes for the year under audit through the scheduled date of the fieldwork.
- d) Copies of budgets for the year.
- e) Detailed memo regarding any outstanding legal issues we should be aware of including the name and address of any attorneys which provided legal services during the year.
- f) Short memo regarding any change in operations from the prior year, e.g., any additional grants received, or grants which are no longer available to the organization, any increase or decrease in operations of the organization.

2. **Cash:**

- a) PDF copies of December 31, 2018 bank statements and reconciliations.
- b) PDF copies of January 31, 2018 bank statements.
- c) PDF copies of collateralization agreements and December 31 collateral statement, if applicable.

3. **Investments** - (If The Tribe/TDHE Is Approved To Invest IHBG Funds):

- a) Schedule detailing all investment activity (sales, purchases, income, etc.) for the year ended December 31, 2018 – **Excel**
- b) PDF copies of the annual investment statements.

4. **Accounts Receivable:**
 - a) A/R aging schedule of accounts receivable as of December 31, 2018, reconciled to trial balance.
 - b) An analysis of the allowance for doubtful accounts.
 - c) List of deposits for three months following the end of the year. (Jan – Mar, 2019)
5. **Prepaid Items:**
 - a) Schedule of prepaid balances with supporting documentation, such as copies of checks and invoices. (Insurance policies, etc.)
6. **Capital Assets:**
 - a) Capital assets and depreciation summary – including a listing of all additions and/or disposals of fixed assets and the supporting documentation, which includes check copy, invoice and bill of sale.
7. **Accounts Payable:**
 - a) A listing of all accounts payable as of December 31, 2018 (an aged A/P will suffice); including date paid and check number. The auditor will need to review all open invoices.
 - b) Schedule of checks written from 12/31/2018 to the date of the audit fieldwork.
8. **Accrued Payroll Liabilities:**
 - a) The schedule of accrued payroll as of December 31, 2018.
 - b) Copies of all the IRS forms 941s and State Unemployment Reports.
 - c) Copies of any correspondence from the IRS and notices of penalties.
 - d) Schedules reconciling gross pay on the 941s to gross pay recorded on the trial balance.
 - e) Annual Leave – Schedule of accrued leave by employee including names, pay rates and ending accrued leave hours at December 31, 2018.
9. **Grant Testing:**
 - a) Copies of all grant awards, contracts, quarterly reports, drawdowns or any other report for each grant.
 - b) Grant lead showing grant name, grant amount, grant period, CFDA number, beginning grant receivable or deferred revenue balance, cash received during the year, grant expenditures and grants receivable or deferred revenue – reconciled to the balance sheet.
 - c) General ledger detail for each grant with expenses or grant receipts.
10. **Long-Term Debt:**
 - a) Schedule of any outstanding debt or notes payable as of December 31, 2018.
 - b) Copies of the debt agreements and amortization schedules.

11. **Net Assets:**

- a) A schedule reconciling FY2017's net position balance on the audited financials to FY2018's equity accounts in the trial balance.

12. **Additional Items:**

- a) Copies of any legal agreements, contracts, leases, or other official documents.
- b) A copy of any new policies and procedures.
- c) A copy of any on-site reviews from any granting agency.
- d) Prepared by Tribe/TDHE (but managed by auditor): Completed grant confirmations (on all open grants during the year), Human Rights and Department of Labor confirmations, attorney confirmation. These should be printed on the Tribe/TDHE's letterhead, signed and mailed to the auditor or made ready to be picked up by the auditor during fieldwork.

SCHEDULE OF EXPENDITURES

The preparation of the Schedule of Expenditures of Federal Awards (SEFA) [and State awards, if any] is also the responsibility of the auditee. The SEFA is an important document because it is the source document for the compliance portion of a single audit. The SEFA reports all Federal grants with expenditures in your audit period. Individual Federal programs are grouped by federal agencies to allow the user to identify grants by Federal funding source, and provides the auditor information required to determine major programs.

1) Know all your Federal awards.

You should be able to identify **ALL** federal awards (examples: IHBG, Indian Community Development Block Grant, and Tribal Transportation) received and expended during the fiscal year, and they should all be included on the SEFA schedule.

The required elements of the SEFA include:

- a. The Catalog of Federal Domestic Assistance (CFDA) title and number;
- b. The award number and year;
- c. The name of the federal agency; and
- d. The name of the pass-through entity and the identifying award number assigned by the pass-through entity, if applicable.

2) Prepare the Schedule of Expenditure of Federal Awards.[200.510(b)]

- a) List individual Federal programs by Federal agency. For example, The US Department of Housing and Urban Development includes the Indian Housing Block Grant (IHBG), and the Indian Community Development Block Grant (ICDBG).
- b) For Federal awards received as a subrecipient, the name of the pass-through entity and

identifying number assigned by the pass-through entity must be included. For example:
U.S. Department of Transportation: Passed through Bureau of Indian Affairs.

- c) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- d) Include the total amount provided to subrecipients from each Federal program.
- e) If you have a loan or loan guarantee program such as Title VI Loan Guarantee, include the loans made and amounts expended for the year.
- f) Include notes that describe:
 - I. Basis of Presentation: Presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
 - II. Summary of Significant Accounting Policies: State whether expenditures are recognized on the modified accrual or full accrual basis of accounting.
 - III. Statement about Pass Through awards. For example: Pass through identifying numbers are presented where available. And, state if there are no amounts that were passed through to subrecipients. Note whether or not the auditee elected to use the 10% de minimis cost rate.
 - IV. Federal Loan Program: identify. Include the balance outstanding of Title VI Loans at the end of the audit period and reconciliation of federal expenditures to the financial statements.

SAMPLE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Upnorth Tribal Housing					
Schedule of Federal Awards					
Year Ended December 31, 2018					
<u>Federal Grant or Contract Title</u>	<u>Award Number</u>	<u>CFDA Number</u>	<u>Total Grant Award</u>	<u>Eligible Expenditures</u>	
US. Department of Housing and Urban Development (HUD):					
Indian Housing Block Grant	55IT02XXXXX	14.867	\$ 525,000	\$ 530,622	
Indian Community Development Block Grant	XXXXX02XXXX	14.862	150,000	150,000	
			675,000	680,622	
Loan Guarantees:					
Title VI Loans	None	14.869	850,000	850,000	
Total U.S. Department of Housing and Urban Development:			1,525,000	1,530,622	
U.S. Department of Transportation					
Tribal Transportation Plan	XXXXXXXXX1	20.205	265,000	207,363	
Total U.S. Department of Transportation			265,000	207,363	
U.S. Department of Health and Human Services					
Passed through Alaska Native Tribal Health Corporation:					
Clean Waters and Sewer Infrastructure	XXXXXXXXX2	93.047	38,500	38,500	
Direct Childcare Program	XXXXXXXXX2	93.047	20,000	17,353	
Total U.S. Department of Interior			58,500	55,853	
U.S. Department of the Interior					
Passed through Bureau of Indian Affairs:					
BIA - Tribal Self-Government	XXXXXXXXX3	15.022	150,000	102,409	
Total U.S. Department of the Interior			150,000	102,409	
Total All Federal Financial Assistance			\$ 1,998,500	\$ 1,896,247	
Note 1. Basis of Presentation					
The accompanying schedule of federal awards (the "Schedule") includes the federal award activity of Upnorth Tribe under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Upnorth Tribe , it is not intended to and does not present the basic financial statements of Upnorth Tribe .					
Note 2. Summary of Significant Accounting Policies					
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.					
Note 3. Indirect Cost Rate					
Upnorth Tribe has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform guidance.					
Note 3. Pass Through Awards					
Pass through entity identifying numbers are presented where available. No amounts were passed through to subrecipients.					
Note 4. Federal Loan Program					
The Title VI loan program listed above is administered directly by Upnorth Tribe , and balances and transactions relating to these programs are included in Upnorth Tribe's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented at December 31, 2016. The ending balance of Title VI Loans at December 31, 2016 was \$765,011.					
NOTE 5. Reconciliation to the Financial Statements:					
Expenditures reported in the schedule of expenditures of federal awards:			\$ 1,896,247		
Less: Title VI outstanding loan guarantees			(850,000)		
Total Federal Revenues per Basic Financial Statements			1,046,247		

Sample Engagement Letter

SAMPLE ENGAGEMENT LETTER

Date, 2018

Client Name
Client Address
Client Address

Dear Ladies and Gentlemen:

You have requested that we audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Client Name, as of Date, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise Client Name's basic financial statements as listed in the table of contents.

In addition, we will audit the entity's compliance over major federal award programs for the period ended Date, 2017. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the entity's major federal award programs.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, the schedule of proportionate share of the net pension liability and related ratios, and the schedule of required pension contributions be presented to supplement the basic financial statements. Such 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. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's discussion and analysis
- Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
- Schedule of Required Pension Contributions

Supplementary information other than RSI will accompany Client Name's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- List RSI opined on

Schedule of Expenditures of Federal Awards

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the earlier of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance), and in accordance with any state or regulatory audit requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America and, if applicable, in accordance with any state or regulatory audit requirements.

In making our risk assessments, we consider 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will issue a written report upon completion of our audit of Client Name's basic financial statements. Our report will be addressed to the governing body of Client Name. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of Client Name's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For 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 error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
3. For safeguarding assets;
4. For identifying all federal awards expended during the period;
5. For preparing the schedule of expenses of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance requirements;
6. For the design, implementation, and maintenance of internal control over compliance;
7. For identifying and ensuring that the entity complies with laws, regulations, grants, and contracts applicable to its activities and its federal award programs;
8. For following up and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
9. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;

10. For submitting the reporting package and data collection form to the appropriate parties;
11. For making the auditor aware of any significant vendor relationships where the vendor is responsible for program compliance;
12. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
13. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole; and
14. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.
15. With respect to any nonattest services we perform, management is responsible for
 - a. Making all management decisions and performing all management functions;
 - b. Assigning a competent individual to oversee the services;
 - c. Evaluating the adequacy of the services performed;
 - d. Evaluating and accepting responsibility for the results of the services performed; and
 - e. Establishing and maintaining internal controls, including monitoring ongoing activities.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Audit Administration, Fees, and Other

We expect to begin our audit on approximately Date, 2018 and to issue our reports no later than Date, 2019.

CPA is the engagement partner for the audit services specified in this letter. Mr. CPA's responsibilities include supervising CPA & Co. services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fee for these services is estimated to be \$\$\$, which will include out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

Other Matters

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The audit documentation for this engagement is the property of CPA & Co. and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of CPA & Co.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the board the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;

- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

CPA, CPA
Principal

RESPONSE:

This letter correctly sets forth the understanding of Client Name.

By: _____

Title: _____

Date: _____