

Grant Compliance Group & Auditor Independence

**Finance, Audit & Accountability
Committee**

January 9, 2006

Grants and Contracts Reviewed by the Grants Compliance Group

- Reviews and monitors the actions taken by departments and grant or contract recipients to ensure compliance with the grant or contract requirements.
- Approximately \$90 millions of grants of the consolidated plan are reviewed and over 300 reports are issued by the Grants Compliance Group each year.

City Auditor's Office Peer Review Report

- Required review for audit organizations under Generally Accepted Government Auditing Standards (GAGAS) not later than every three years.
- Latest review covered the period of June 1, 2001 through May 31, 2004.

Finding Regarding Independence

- The Peer Review indicated that grant monitoring services being provided by the City Auditor's Office could conflict or give the appearance of conflict regarding auditor independence and recommended the following:
 - Return the grant monitoring function to management **or**
 - Conduct monitoring work as narrowly scoped audits or attestation engagements and follow (GAGAS) **or**
 - If unable to implement either of the above options, it will be necessary to notify the City Council that the City Auditor's Office is not independent to audit related grant or contracts reviewed by the Grants Compliance Group

Assessment of Alternatives

Option 1

- Return the grant monitoring function to management
 - The City Manager has indicated that the Grant Compliance Group should remain with the City Auditor's Office.

Assessment of Alternatives

Option 2

- Conduct monitoring work as narrowly scoped audits or attestation engagements and follow GAGAS
 - Senior Contract Compliance Administrators are not trained as auditors. Additionally, compliance with GAGAS would require mandatory continuing professional education and would require additional funding.

Assessment of Alternatives

Option 3

- If unable to implement either of the above options, it will be necessary to notify the City Council that the City Auditor's Office is not independent to audit related grants or contracts reviewed by the Grants Compliance Group.
 - Whenever the City Auditor's Office audits programs or grants reviewed by the Grants Compliance Group, we must include a statement about not being independent in each report.

Impact of Option 3

- The Finance, Audit & Accountability Committee should be aware of the independence issue whenever audit work is performed in areas covered by the Grants Compliance Group of the City Auditor's Office.
- Periodically, specifically request the external auditor to review grants monitored by the Grants Compliance Group. This is currently done as part of the single audit.

Recommendation

- Implement Option 3 requiring the City Auditor's Office to include a statement about not being independent in each report when the City Auditor's Office audits programs or grants monitored by the Grants Compliance Group.

Questions

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