

**Policies and Procedures
For
Internal Audit
CDBG-DR and CDBG-NDR Grant Funds**

Authority:

Any and all activities of the internal audit unit of the city of Minot involving Community Development Block Grant Disaster Recovery (CDBG-DR) and Community Development Block Grant National Disaster Resilience Disaster Recovery (CDBG-NDR) grant funds shall be performed under the authority of the City Manager, and all audit reports and related activities involving such audits shall be reported directly to the City Manager.

The Internal Auditor policies and procedures established by the city of Minot dated May 21, 2013 shall be followed except where inconsistent with these specific CDBG-DR and CDBG-NDR policies and procedures in which cases these policies and procedures shall take precedent.

Purpose:

The Internal Audit Unit shall conduct audits as required to determine and report on the efficacy and effectiveness of the internal control systems related to the grants by activity, contract, contractor, and/or subrecipient as well as overall grant administration to provide reasonable assurance that the funds are being managed and deployed in compliance with all federal, state, and local applicable laws and regulations including but not limited to 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the HUD Federal Register Published CDBG-DR and CDBG-NDR Allocation Rules and Regulations applicable to the three separate awards received by the city of Minot, etc.

Methodology and Scope

Audits will conduct compliance testing through sampling informed by risk assessment set forth in 2 CFR 200.330 to 200.331, and 2 CFR 200.318(h) specific to activities, contracts, contractor performance, grant administration and subrecipients. Audits will also conduct tests of the internal controls to evaluate the effectiveness of the design and operation of policies and procedures governing activities, contracts, contractor performance, grant administration and subrecipients. Sufficient tests shall also be conducted for prudent assessment of the controls and performance to assure there are sufficient checks and balances to prevent waste, fraud or abuse of the grant funds.

Cooperation and Coordination

Under the framework that both function independently of each other, to the greatest extent possible without compromising the purpose and integrity of their roles as set forth in their respective policies and procedures, the Internal Audit Unit and the Federal Compliance Officer shall share plans and information to assure that their plans and work do not interfere, complicate, or undermine their efforts.

Statutory Requirements and Guiding Documents

All audits conducted through these policies and procedures shall be guided and governed by all applicable federal, state, and local statutes which are applicable to the DR and NDR funds including but not limited to:

- 2 CFR Part 200
- Public Law 112-55, (DR Allocation #1)
- Public Law 113-2, Disaster Relief Appropriations Act (DR Allocation #2 and NDR)

- November 16, 2011 Federal Register Notice, “Clarification of Duplication of Benefits Requirements...”
- April 16, 2012 Federal Register Notice, “Waivers and Alternative Requirements...”
- March 5, 2013 Federal Register Notice, “Allocations, Common Application, Waivers and Alternative Requirements...”
- May 29, 2013 Federal Register Notice, “Allocations, Waivers and Alternative Requirements...”
- April 19, 2013 Federal Register Notice, “Clarifying Guidance, Waivers, and Alternative Requirements...”
- Housing and Community Development Act of 1974, as amended
- June 7, 2016 Federal Register Notice, “Notice of National Disaster Resilient Competition Grant Requirements...”
- All current Action Plans as amended and grant agreements as amended with HUD
- 24 CFR 85.35
- 24 CFR 85.36

Audit Plans

An Audit plan shall be required for each and every audit review with the plan to be consistent in form, content, and framework to assure compliance with HUD expectations and requirements. The Internal Audit Unit is encouraged to base plan development on HUD provided sample guidance for administrative, contract and subrecipient audits.

Audit plans shall be informed by risk assessment and analysis and based on such information be appropriately sample based.

Completed Audits

All audits upon completion shall be directly submitted to the City Manager.