

Attachment 4-D Agreed-Upon-Procedures and Determinations (Projects with 16 units or More)

- 1.) Examine selected receipts, invoices, cancelled checks, (or check imaging on original bank statement) etc. that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the ongoing operations of the project.
 - a. Testing Criteria: Examine the documents in step 1c for the following characteristics:
 - i. Existence of invoice and agreement in transaction amount.
 - ii. No evidence of alteration of the invoice or duplicate invoice numbers.
 - iii. Agreement of shipping/work address and project address or name.
 - iv. Examine invoice descriptions of product or services for non-eligible expenses by comparing the expenses to the Attachment 4-A of HB-2-3560.
 - v. Select a representative sub-sample of invoices from step 1b to confirm. The sub-sample should represent a minimum of 10 percent of the dollar value of the original sample selected in step 1b. (*Note:* Discounts, rebates, or refunds should be credited to the property's account.)
 - b. Sample Selection Methodology (*required for each individual project*): The CPA will select a representative sample, based on the following schedule, disbursements in the general ledger for all accounts includable in lines 1-10 and 19-32 of Form RD 3560-7 during the reporting period. The sample testing period and methodology will be determined based on auditors' judgment.

Sample Size Determination Schedule:

<u>Units</u>	<u>Sample Size</u>
24 or Less	10
25 - 48	15
49 - 99	20
100 or more	25

- c. Acceptable Supporting Documentation: Obtain and examine the following supporting documents for each of the selected transactions from step 1b:
 - i. Cancelled check (or check imaging on original bank statement) or applicable charges on bank statements; and
 - ii. Original third party vendor invoices.
- d. Reporting Requirements: The CPA's report should agree in form and content to the sample AUP report in Attachment 4-F in RD HB-2-3560. At a minimum, the following information should be disclosed:
 - i. Population size of lines 1-10 and 19-32 of Form RD 3560-7 defined in terms of total dollar value and in terms of number of transactions.

- ii. Sample size selected in step 1b defined in terms of total dollar value and in terms of number of transactions.
 - iii. Sub-sample size selected in 1a(v) defined in terms of total dollar value and in terms of number of transactions.
 - iv. Exceptions should be disclosed for steps 1a(i) through 1a(v). Exceptions should be reported both in terms of the number of transactions with exceptions and the total dollar value associated with each exception.
- 2.) Confirm the balance in the replacement reserve account presented on Form RD 3560-7, Part III and confirm that no amounts were encumbered by the financial institution that holds the accounts. Determine that all balances are within the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) insurance limits, as applicable. Determine that the total withdrawals from the bank statements agree to the total withdrawals authorized by Rural Development on Form RD 3560-12. Compare the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals.
- a. Testing Procedures:
 - i. Confirm replacement reserve account balance at period end with appropriate financial institution(s) and agree to general ledger balance(s). Request financial institutions provide a positive confirmation of no encumbrances on replacement reserve account balances to their knowledge.
 - ii. Determine that each replacement reserve account withdrawal in the original bank statements agrees to Form RD 3560-12 for the engagement period.
 - iii. Examine supporting invoices and cancelled checks (or check imaging on original bank statement) for replacement reserve withdrawals for evidence that the funds were paid to the authorized vendors.
 - b. Acceptable Supporting Documentation: Obtain and examine the following supporting documents for each of the procedures outlined in 2a:
 - i. Original bank statements;
 - ii. Request for Authorization to Withdraw Reserve Funds (Form RD 3560-12) sign/approved by Rural Development;
 - iii. Signed and completed financial institution confirmation form; and
 - iv. FIN 2100 project reserve account checkbook.
 - c. Reporting Requirements: The CPA's report should agree in form and content to the sample AUP report in Attachment 4-F in RD HB-2-3560. At a minimum, the following information should be disclosed:
 - i. Replacement reserve account balance; confirmed by the financial institution and agrees to the bank reconciliation.
 - ii. The amount of any encumbrances reported by financial institutions in step 2a(i).
 - iii. Amount of any replacement reserve account balances exceeding FDIC or SIPC insurance limits.
 - iv. Number and value of replacement reserve account withdrawals from the original bank statements.
 - v. Number and value of replacement reserve account withdrawals approved by Rural Development.
 - vi. Number and value of transactions that were not for authorized purposes.
-

- 3.) Obtain an Identity of Interest (IOI) company listing and Form RD 3560-31 from Rural Development and determine that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project.
- a. Testing Procedures:
 - i. Obtain a listing of all IOI companies for the project from the Rural Development office.
 - ii. For each IOI company, examine a sample of invoices to determine that the expenses for the approved services on Form RD 3560-31 are what is being charged to the project.
 - iii. As part of the AUP engagement, consider whether or not any undisclosed IOI companies were incidentally disclosed during the engagement.
 - b. Sample Selection Methodology: The CPA will test a minimum of 10% of the total invoices for each IOI company by selecting a representative sample.
 - c. Acceptable Supporting Documentation: Obtain and examine the following supporting documents for each of the procedures outlined in 3a:
 - i. Form RD 3560-31 for each IOI company;
 - ii. A schedule of amounts paid to each IOI company;
 - iii. IOI invoices;
 - iv. Inquiries of management and ownership; and
 - v. Management Representation Letter.
 - d. Reporting Requirements: The CPA's report should agree in form and content to the sample AUP report in Attachment 4-F in RD HB-2-3560. At a minimum, the following information should be disclosed:
 - i. The number of IOI companies.
 - ii. The total expenses incurred with the IOI companies for the engagement period.
 - iii. Population size defined in terms of total dollar value and in terms of number of transactions.
 - iv. Sample size selected in step 3b defined in terms of total dollar value and in terms of number of transactions.
 - v. Exceptions should be disclosed for steps 3a(i) through 3a(iii). Exceptions should be reported both in terms of the number of transactions with exceptions and the total dollar value associated with each exception.
 - vi. State whether or not any IOI companies were found, in conjunction with our AUP engagement and Audit (if applicable), or in management's Representation Letter which among other items asserts management's representation and responsibility for disclosing all IOI companies, that were not reported to Rural Development on Form RD 3560-31.