



## COMMUNITY SERVICE PROGRAM SFY 2020-2021 AGREED UPON PROCEDURES

### BASIC PROGRAM INFORMATION

The Kansas Community Service Program Act authorizes tax credits for individuals and businesses making cash contributions to selected non-profit organizations. The non-profit organizations provide services in the area of health care, non-governmental crime prevention, and family/children services. Each year, the Kansas Department of Commerce (Commerce) reviews project proposals for tax credits from various non-profit organizations.

Organizations that are selected for the program were notified in writing from the Director of Community Development at Commerce and were granted specific amounts of credits. These credits are in effect for eighteen (18) months. The SFY 2021 tax credits were in effect for contributions received from July 1, 2020 to December 31, 2021. Projects serving communities with a population less than 15,000 receive 70% credits; projects serving communities with a population over 15,000 or greater receive 50% credits. The credit percentage was indicated in the Director's award letter. The tax credits can be used by: individuals and businesses subject to state income tax; insurance companies subject to the premium tax; and banks, trust companies, and thrift associations subject to the fiduciary tax, as well as the annual tax on net income pursuant to K.S.A. 40-252.

### GENERAL AUDIT REQUIREMENTS

1. Community Service Program (CSP) projects which have claimed **\$100,000** or more of tax credits in the SFY 2020 program must have a financial and compliance audit. This audit must address the agreed upon procedures of the community service tax credit program and the receipts and disbursements of funds received for the project that utilized the tax credits.
2. The audit must be performed by an independent Certified Public Accountant (CPA) that is licensed in the State of Kansas.
3. The audit must be conducted in accordance with generally accepted auditing principles.
4. The audit report is due on or before January 1, 2023.

## **SPECIFIC REQUIREMENTS (RECEIPTS AND DISBURSEMENTS)**

1. The auditor should exercise professional judgment with respect to the number and extent of transactions tested.
2. The audit should cover the period of July 1, 2020 to June 30, 2022, unless all of the funds raised by the tax credits were expended prior to June 30, 2021.
3. If some of the CSP funds have not been spent as of June 30, 2022, the schedule of receipts and disbursements should show the balance of unspent funds as ending net assets. The auditor is not responsible for following up on any funds remaining after the auditor's report date. However, the organization's management should include a letter describing the disposition of the remaining funds. Under the project assurances agreement, funds on hand one (1) year after closing should be placed into an escrow account marked for the project.
4. The CSP audit document should contain the following items:
  - a) Auditor's report on the CSP financial statement and report on the compliance with the program's requirements as noted below. The reports can be combined or submitted separately.
  - b) Schedule of CSP project receipts and disbursements. The schedule should show ending project net assets.
  - c) Notes to the project financial statement.

## **COMPLIANCE REQUIREMENTS (AGREED UPON PROCEDURES)**

1. CSP cash contributions paid to the organization shall be deposited in a bank or other financial institution located in the State of Kansas, and that is insured by the Federal Deposit Insurance Corporation (FDIC).
2. Non-cash contributions must have the supporting documentation as required by law and be directly related to the project.
3. The accounting records of the organization must separately track CSP projects receipts and disbursements.
4. CSP project disbursements must be supported by adequate documentation indicating the proper nature of the expenses as it relates to the approved CSP budget.
5. Expenditures of CSP credit contributions are used only for the purpose(s) stated in the CSP Project Assurances section of the organization's CSP project application that was approved by the Kansas Department of Commerce.
6. Internal records of tax credit donations must agree with information submitted to the Kansas Department of Commerce on CSP tax credit applications.