



DOWNTOWN DEVELOPMENT DISTRICTS (DDD)

Agreed-Upon Procedures for Attestation of Actual Costs *Guidelines for District Investors and Independent Certified Public Accountants*

Program Administered by

THE DELAWARE STATE HOUSING AUTHORITY

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Guidelines for District Investors and Certified Public Accountants

About this Publication

This publication provides guidance for Investors and the Independent Certified Public Accountants (ICPAs) performing the Agreed-Upon Procedures for Attestation of Actual Costs (“Attestation of Actual Costs”). These procedures test and report on the assertion of a qualified District Investor as to their qualification to receive a DDD Large Project Rebate (“DDD Rebate”). The findings from these procedures are compiled in the ICPA Attestation Report with Agreed-Upon Procedures and Findings (“ICPA Attestation Report”). This report is a required application component for the DDD Rebate.

This publication is intended to be used as a guide and reference for District Investors and ICPAs is not intended to be a substitute for Federal and State laws and regulations, detailed audit procedures, nor is it intended to supplant the accountant’s judgement as to the work required.

Additionally, this guide is not intended, and shall not be construed, to benefit or protect any person or entity other than the parties expressly made subject to the terms of this guide and their successors and assigns, or to provide any such other person or entity with any rights or remedies against the parties subject hereto, or to otherwise entitle any such other person or entity to rely on the implementation or enforcement of any term or provision of this guide. Nothing contained herein shall be construed to create any contractual or other legal relationship that does not otherwise exist under contract or by operation of law.

General

- The purpose of the Attestation of Actual Costs is to establish the total *qualified* costs incurred by the Investor so that DSHA may determine the final DDD Rebate and that the DDD Rebate Program requirements are fulfilled.
- Comprehensive guidelines for the DDD Rebate Program outlining Investor eligibility requirements, program-related definitions, eligible-cost definitions by line item and general program information can be accessed at <http://www.destatehousing.com/ddd-program/>. Attestation documents and forms may vary depending upon the date of the Investor’s original reservation. **Please contact DSHA to obtain the required forms necessary to complete the Attestation of Actual Costs.**
- **Adequate records** must be maintained for three (3) years for the purpose of verifying costs, and all books and records, contracts, invoices, receiving reports, particulars of material, labor and equipment entering into the construction of the project, and other records appropriate to such accounts, must be made available to DSHA for inspection and copying upon request.
- It is the ICPA’s and Investor’s responsibility to ensure all necessary documentation is submitted and collected during the attestation process. Once the Attestation of Actual Costs is submitted to DSHA for approval, additional or increased costs will not be accepted by DSHA.
- During DSHA’s review of the submitted ICPA Attestation Report, DSHA may request additional documentation to clarify costs reported as qualified for rebate. DSHA’s review may result in a reduction in total qualified costs. In addition to reductions associated with cost eligibility requirements, reductions may arise from refunds, rebates, or discounts; for incomplete construction items; adjustments of

payables and any receipts from the settlement of claims against bonding companies or others which might arise in connection with the completion of the project.

Independent CPA Selection

- As required by the American Institute of Certified Public Accountants (AICPA) standards, the ICPA must be *independent* within the meaning of the code of professional ethics.
- An ICPA selected to complete the Attestation of Actual Costs cannot have an Identity of Interest relationship with the investor or contractor(s).
- An ICPA contracted to perform manual or automated bookkeeping, auditing, and/or accounting services or maintain accounting records on behalf of the investor or contractor(s) is prohibited from completing the Attestation of Actual Costs.
- The ICPA must be a certified public accountant or a public accountant licensed by a regulatory authority of a state or other political subdivision of the United States and must have a **Delaware business license**.
- DSHA is not the responsible authority for regulations related to entities conducting business in the State of Delaware. **It is the ICPA's responsibility to determine if they meet Delaware's requirements.** Information regarding how to obtain a Delaware business license, CPA Permit to Practice (including reciprocity and substantial equivalency rules) can be accessed from the following links.
<https://revenue.delaware.gov/frequently-asked-questions/business-licenses-faqs/>
<https://dpr.delaware.gov/boards/accountancy/newpermit/>
- Where Government Auditing Standards apply, the ICPA must meet the auditor qualifications of Auditing Standards, including the qualifications of Independence and continuing professional education. Additionally, the audit organization must meet the quality control standards of Government Auditing Standards.
- The required attestation engagement letter must provide that the ICPA shall satisfy the requirements set by DSHA.

DSHA Required Forms

DSHA requires ICPAs to utilize and complete the following program forms when conducting the Attestation of Actual Costs. Forms can be accessed from DSHA's website at <http://www.destatehousing.com/ddd>.

- DSHA's Attestation of Actual Costs Forms (Excel Workbook);
 - DDD-AC100 Investor Certification of Qualified Real Property Investment;
 - DDD-AC100A Itemized Breakdown of General Conditions, if applicable;
 - DDD-AC100B Itemized Breakdown of Appliances/Equipment, if applicable;
 - DDD-AC100C Itemized Breakdown of Site Improvements, if applicable;
 - DDD-AC101 Project/Building Information; and
 - DDD-AC102 Rebate Calculation/Disbursement Request.
- ICPA Attestation Report (Word); and
- Agreed-Upon Procedures Engagement Letter (sample letter provided).

Agreed-Upon Procedures for Attestation of Actual Costs

A. Agreed-Upon Procedures Engagement Letter

The Agreed-Upon Procedures Engagement Letter (**Appendix A**) outlines specific procedures to be performed by the ICPA, that is engaged by the Investor, to verify costs and issue a report of findings, if any. Distribution of the report based on such an engagement is limited to specific, identified users (in this case, the Investor and DSHA). Guidance for the performance of such engagements can be found in AT Section 201 of the American Institute of Certified Public Accountants (AICPA) Professional Standards.

Under DSHA's DDD Rebate requirements, Investors must hire an independent ICPA *currently licensed in Delaware* to perform the Attestation of Actual Costs with Agreed-Upon Procedures established by DSHA. **DSHA strongly encourages Investors to engage with an ICPA as early as possible.** This will give Investors a chance to ask the ICPA about what types of support documentation and level of invoice itemization will be needed in order for the ICPA to successfully perform the Attestation of Actual Costs.

The Agreed-Upon Procedures Engagement Letter between the ICPA and the Investor must allow duly-authorized agents of DSHA, at its request, to examine the ICPA's working papers supporting the required cost certifications. For this purpose, the ICPA should retain the working papers for a minimum of three (3) years from the issue date of the final Attestation Report.

The ICPA Attestation Report must be submitted to DSHA with the DDD Rebate request and required application documents within **sixty (60) days** of the placed-in-service date.

B. Investor's Responsibilities

DSHA may, at any time, review an Investor's records related to qualification to ensure that information provided for Rebate qualification is accurate. Investors shall maintain all documentation regarding qualification for the DDD Rebate for a minimum of three (3) years following the receipt of the Rebate. Investors that do **not** have adequate documentation regarding the calculated Qualified Real Property Investment (QRPI) on file for this length of time may be subject to repayment.

The Investor is responsible for providing the ICPA with the following documentation and any additional information requested by the ICPA to complete the Attestation of Actual Costs:

- **Guidelines and Required Forms:** Guidelines for completing the Attestation of Actual Costs, required forms and the DDD Rebate Program Guidelines can be accessed from <http://www.destatehousing.com/ddd>;
- **Reservation Application:** Copy of the original Large Project Reservation application package submitted to DSHA;
- **DSHA Reservation Award:** Copy of the Reservation award letter and Conditions of Funding;
- **Proof of Investment:** Copies of draws, itemized invoices/receipts for project costs. Permission for the ICPA to work directly with the General Contractor and/or subcontractors that performed the work to request additional information or clarifications, if necessary;

Investors are responsible for informing the General Contractor and/or subcontractors prior to performing the work that a certification of costs is required at the completion of the project that includes assuring proper accounting procedures and methods were followed.

- **Proofs of Payment:** Copies of canceled checks demonstrating all costs included in the QRPI have been paid in full;
- **Delaware Business Licenses:** Copies of DE business licenses for the General Contractor and all hired subcontractors effective during the time period the work was performed;
- **Capitalized Costs:** Evidence that all costs included in the calculated QRPI are capitalized-eligible costs;
- **Placed-in Service Documentation:** The final placed-in-service documentation issued by the locality for the completed real property investment, such as the Certificate of Occupancy;
- **ICPA Requested Information:** Any additional information required by the ICPA for the purpose of performing the Attestation of Actual Costs; and
- **Additional Documentation, *if applicable*:**
 - For Investors applying as owners of space within a building, the closing documents or deed of trust indicating the building's square footage; and
 - For Investors applying as tenants, the current lease agreement indicating the building's square footage.

C. ICPA's Responsibilities

The ICPA is responsible for ensuring the information provided in the DDD Rebate request for disbursement is accurate, which encompasses the following responsibilities:

- Accuracy and completeness of DSHA's Attestation of Actual Costs forms (AC101-102) and all required attachments;
- **Only capitalized, rebate-eligible costs**, as outlined in DSHA's DDD Rebate Program guidelines, are included in the calculation of the QRPI;
- Compilation and reporting of all findings from the application of the Agreed-Upon Procedures in the ICPA Attestation Report (**Appendix B**).
- Confirmation that the name on the deed (owner), the applicant name (Investor), and name on the payment instrument are identical. If the Investor is a tenant then the name on the lease (lessee), the applicant name and the name on the payment instrument must be identical.
- Confirmation that the real property Investment, associated with the QRPI, placed in service properly and within the time frame established in the Conditions of Funding at time of Reservation;
- Confirmation that the General Contractor and all hired subcontractors are registered with and hold a business license from the Delaware Division of Revenue for the time period in which the work was performed;
- In the case of Investors owning a space within a building or Investors applying as tenants, the square footage information is accurately indicated on the supplemental form(s) and the grant application, and if required, has been coordinated with all other owners/tenants within the building. For more information regarding the required steps of coordination, please review the supplemental forms "Multiple Owners" and "Tenant/Owner Consent"; and
- ICPAs should contact DSHA prior to the start of the Attestation of Actual Costs to determine if there are any abnormalities in the costs being certified that may not be disclosed by standard audit procedures.
- ICPAs should direct questions regarding eligibility of costs to DSHA.

Rebate Application, Submission and Review Process

Large Project Investors **with a Reservation award** may apply for a Rebate ***after*** the project is fully completed and placed-in-service, costs associated with the QRPI are paid in full and the Attestation of Actual Costs is completed. **Investors must apply to DSHA for a Large Project Rebate within 60 days of the final placed-in-service date.**

The final Rebate may be less than the Reservation amount, but ***not*** greater. Only costs included in the original Large Project Rebate Reservation Application are eligible for rebate, cost overruns will ***not*** be considered.

A. Large Project Rebate Application Checklist

The Large Project Rebate Application Checklist (Appendix C) outlines the required documentation that must be submitted to DSHA to apply for the final Rebate. Additionally, it provides instructions for submitting the application. The checklist can be accessed at <http://www.destatehousing.com/ddd>.

B. Compliance Review and Inspection

DSHA will review all documentation for compliance with the program, and as part of this review a physical inspection of the property will be conducted to confirm the project conforms to the project scope outlined in the original Large Project Rebate Reservation Application.

The inspection will include, but is not limited to, verifying the following:

- Completion of municipal or governmental agency inspections;
- Project completeness. Depending on nature of project, evidence that business activity is taking place or about to begin;
- Parcel location;
- Building or facility use;
- Number of stories;
- Square footage of use types, if residential, number of units;
- Conformity with Scope of Work submitted in the original Large Project Rebate Reservation Application;
- Verification that work performed supports documentation of submitted QRPI; and
- Project Priority Considerations have been met, if applicable.

During the review process, DSHA reserves the right to request additional support documentation as necessary.

C. Rebate Disbursement

- Investors can expect to receive a Rebate within **sixty (60) days** from the date DSHA receives **all** required documentation. DSHA reserves the right to request additional documentation, as necessary.
- Final Rebate may be less than the Reservation amount, but ***not*** greater.
- DSHA, at its sole discretion, will determine the final Rebate.
- DSHA will issue an IRS 1099 form to Investors that receive a Rebate for the year the Rebate was issued.

Appendix A: Sample Agreed-Upon Procedures Engagement Letter

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The Engagement Letter begins on the next page.

Functional forms may be obtained by contacting DSHA.

Appendix B: Sample ICPA Attestation Report for Agreed-Upon Procedures

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ICPA Attestation Report for Agreed-Upon Procedures begins on the next page.

Functional forms may be obtained by contacting DSHA.

Appendix C: DDD Large Project Application Checklist

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DDD Large Project Application Checklist begins on the next page.

These guidelines may also be accessed at

<http://www.destatehousing.com/ddd>