

**Maryland and District of Columbia  
Grants Offices  
Post-award Grants Management  
Training Program**

**Grants Made Easy: How To Ensure  
A Successful Audit**

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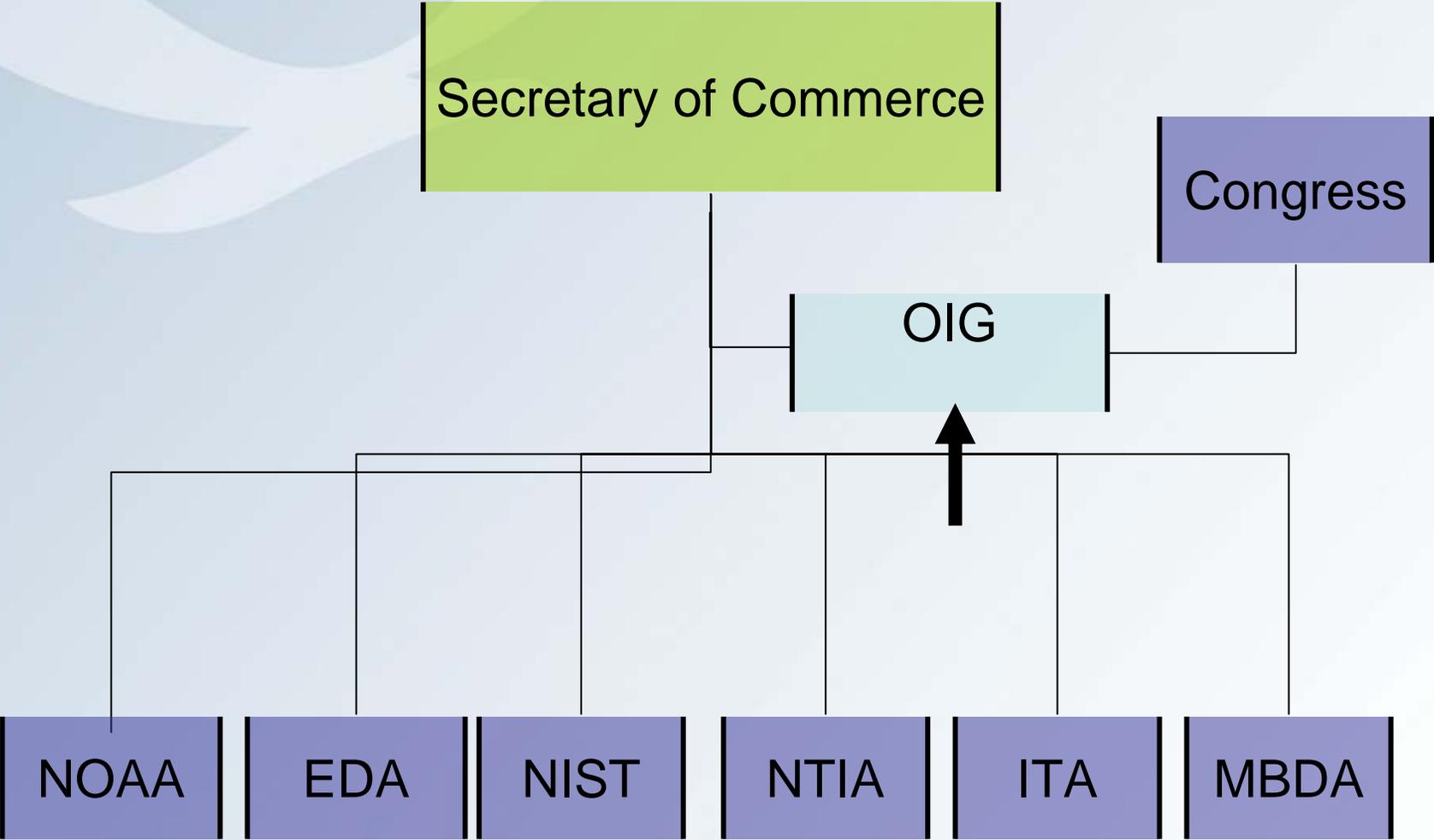
June 14, 2006



Hi, I'm here to help you!!

## How To Ensure A Successful Audit

# U.S. Department of Commerce



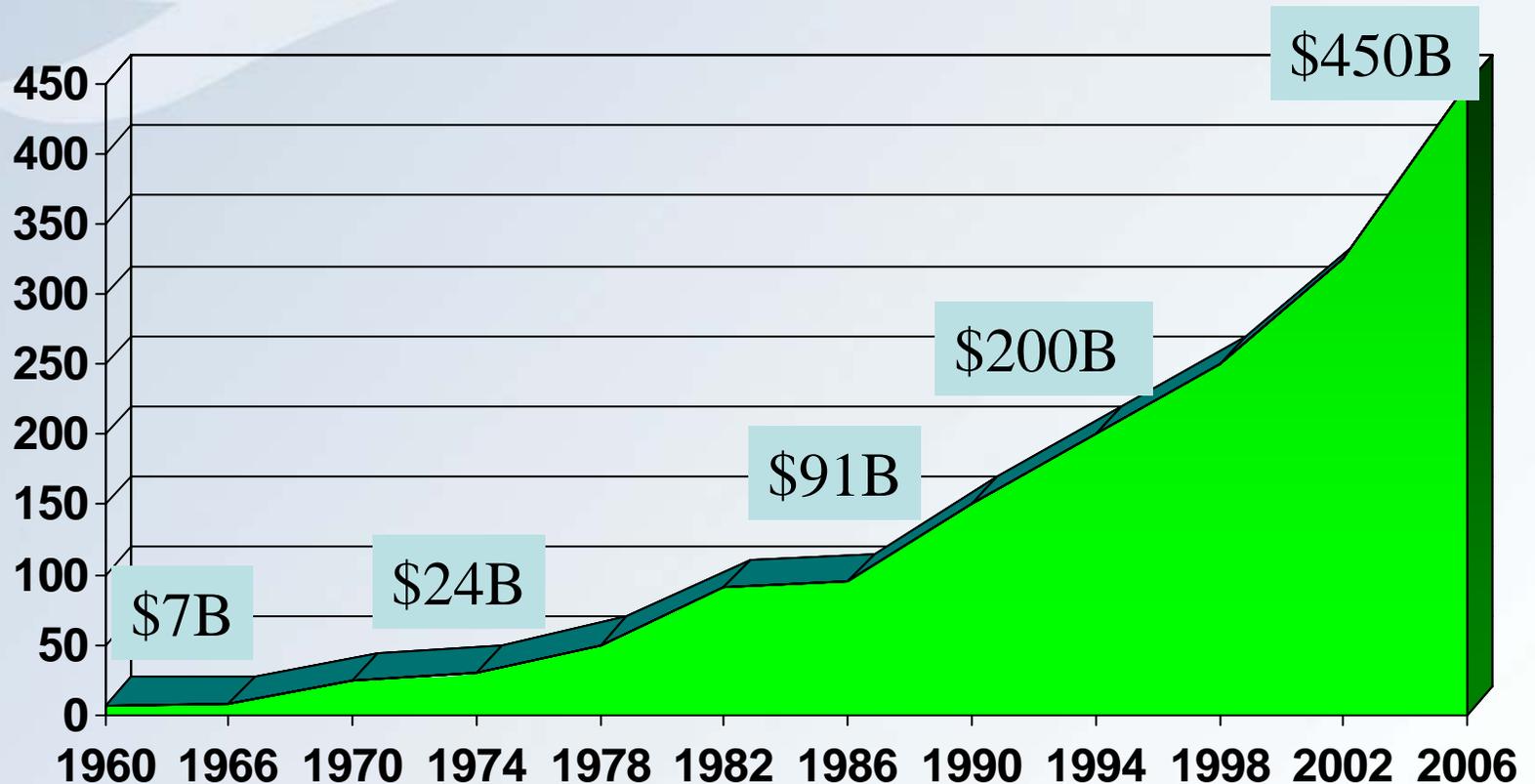
# 3 Regional Offices

## Seattle – Denver - Atlanta

- Contract, Grant, and Loan Audits
- National Single Audit Office - Atlanta



# Growth of Grants



Source: Guide to Opportunities for Improving Grant Accountability

**How To Ensure A Successful Audit**

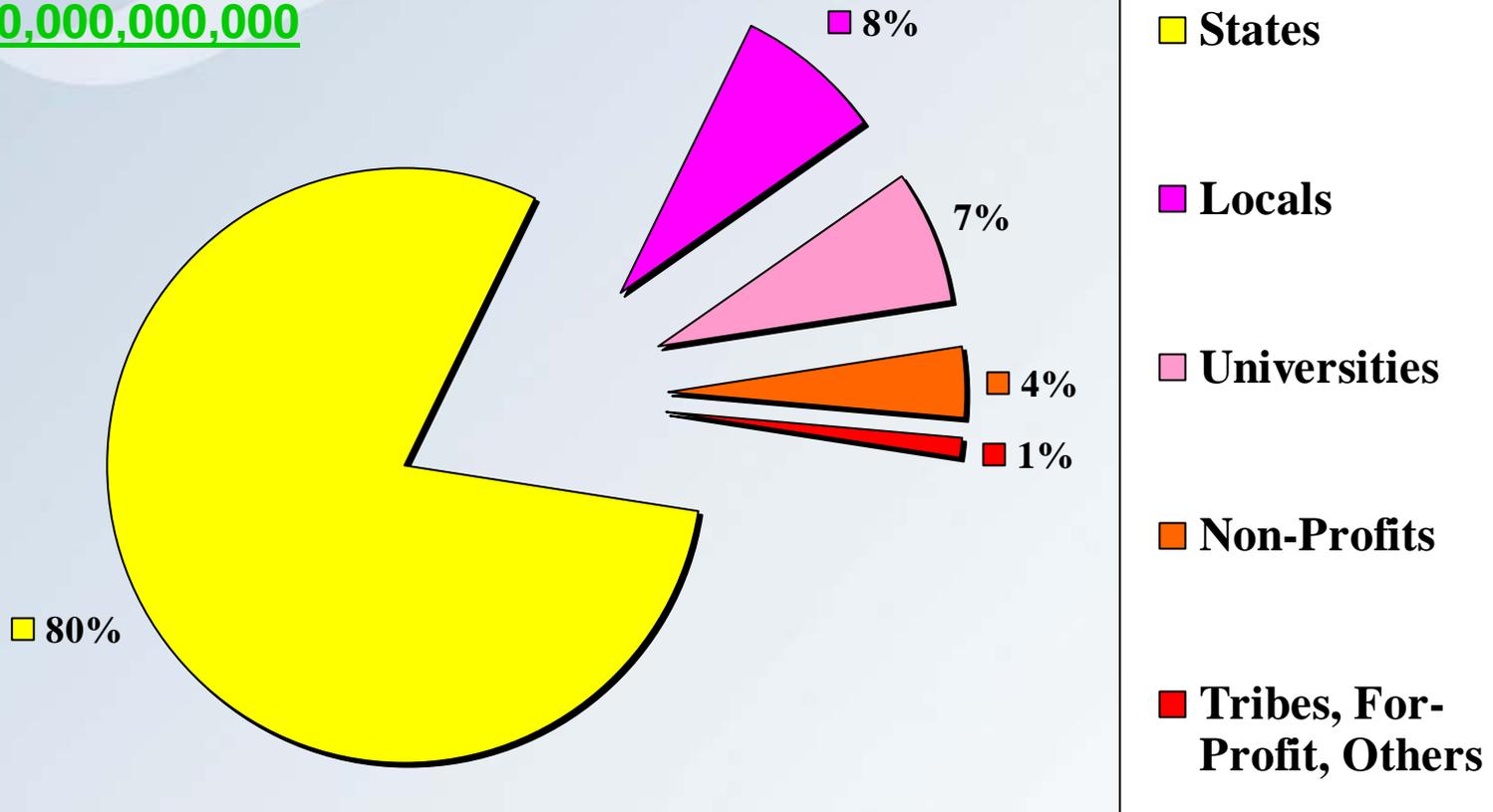
# Grants Outlays by Agency

Agency Name	Estimated 2006 Grant Outlay
Department of Health and Human Services	\$ 256.6
Department of Transportation	46.8
Department of Education	40.1
Department of Housing and Urban Development	34.8
Department of Agriculture	25.7
Department of Homeland Security	9.1
Department of Labor	7.1
Department of the Interior	4.1
Department of Justice	3.8
Environmental Protection Agency	3.8
Department of Commerce	0.6
Department of the Treasury	0.4
Department of Energy	0.3
Department of Veterans Affairs	0.3
Other Agencies	2.2
<b>Total</b>	<b>\$ 435.7</b>

Source: Guide to Opportunities for Improving Grant Accountability

# Distribution of Federal Grants

\$450,000,000,000



Source: Guide to Opportunities for Improving Grant Accountability

# Top 15 Federal Grantors for Maryland

HHS	\$3,634,513,900
Dept of Transportation	\$826,000,215
Dept of Agriculture	\$607,653,455
Dept of Labor	\$577,435,614
Dept of Education	\$191,697,939
HUD	\$175,184,780
Dept of Defense	\$79,997,014
NSF	\$71,533,504
DHS	\$67,727,702
NASA	\$60,899,111
Total Grants for the State of Maryland	7,505,908,000

Source: FY 2005 Single Audit report – State of Maryland

# Single Audits



How To Ensure A Successful Audit

# Purpose of Single Audits

- Provide for uniform organization-wide audits
- Promote sound financial management and effective internal controls
- Promote efficient and effective use of audit resources
- Reduce burden on state and local governments and non-profit organizations
- Provide federal agencies reliable and useful audits

# Implementing Single Audits

- Single Audit Act
- OMB Circular A-133
- Compliance Supplements
- Clearinghouse
- Resolution Process

# Single Audit Requirements in General

- \$500,000 in Annual Federal Expenditures
- Determine Major Programs for Audit
- Report to Clearinghouse within 9 months

# Auditee Responsibilities

- Prepare Financial Statement that reflect
  - their financial position,
  - the results of operations, and
  - Cash flow.
- Prepare a schedule of expenditures of Federal awards (SEFA) which includes all federal awards received and expended.
- Prepare Schedule of Prior Audit Findings and corrective active plan.

# What Can Trigger A Federal Audit?

- Single Audit Oversight
- Grant Audit Task Force
- Grant/Program Officer Referral
- Hotline Complaints

# Single Audit Oversight

- Commerce OIG Cognizant Agency
- RLF Major & High Risk Program
- OIG Routinely Monitors
- Cost or Compliance Issues
- Not filing Single Audit reports to Clearinghouse

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# Grant Audit Task Force

- Developed a systematic audit selection process targeting:
  - Relative Program Risk
  - Recipient Characteristics
  - Program Award Process Problems
  - Fraud Indicators
  - Cross-cutting Audit Issues

# Grant/Program Officer Referral

- Financial/Performance Report Issues
- Site Visit or Monitoring Concerns
- Complaints or Allegations



# Hotline Complaints

- Credible Complaint
- Significant or Material Issues
- Often Refer to Grants Officer
- Hotline number 1-800-424-5197



“There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government”  
- *Ben Franklin*

**HELP!!!**

**We're Being**

**AUDITED**



**How To Ensure A Successful Audit**

# SCOPE OF AUDIT

- Cost
- Compliance
- Performance Issues

# Items of Cost Included in Most Audits

- Salary Distribution
- Fringe Benefits
- Travel Costs
- Entertainment Costs
- Contributions & Gifts
- Lobbying Costs
- Indirect Costs & Allocation Plan
- In-kind Contributions
- Equipment
- Contracts & Subagreements

# Administrative and other Compliance Areas Covered in an Audit

- Financial Management System
- Matching Funds/In-kind Contributions
- Scope/Budget Revisions
- Procurement Practices
- Property Management
- Subrecipient Monitoring
- Financial/Performance Reporting
- Program Income
- Misconduct in Research

# Performance Audit Procedures

- Achieving Project/Performance Objectives
- Accomplishing legislative intent
- Meeting project timetable or performance deadlines
- Managing the project

# Auditee Comment

- During the Audit
- Exit Conference
- Response to Draft Audit Report
- Response to Final Audit Report
- Appeal of the Agency Audit Resolution Determination

# To Avoid an Audit or Audit Findings

- Top 10 Audit Findings As Determined by the Department of Justice
- Audit Findings on this list are common to many agencies receiving federal funds.

- Untimely report submissions;
- Lack of documentation;
- Inadequate monitoring of sub-recipients;
- Inadequate time/effort reports;
- Inaccurate reports (Financial Status Reports);
- Commingling of funds;
- Excess cash on hand;
- Unallowable costs;
- Inappropriate changes; and
- Conflicts of interest.

# To Avoid an Audit or Audit Findings

- Prepare a thorough, fact-based proposal.
- Review and tune-up financial, administrative, and project management systems.
- READ and UNDERSTAND before you sign and revisit award requirements frequently during the project.
- Ensure all staff understand the project and award requirements and that they communicate fully and frequently throughout the project.

# To Avoid an Audit or Audit Findings

- If in doubt, ASK QUESTIONS and get answers and approvals BEFORE acting.
- Know your Agency or Department contacts.
- DOCUMENT, DOCUMENT, DOCUMENT!
- Attend training like this.
- Respond fully and timely at every opportunity during the audit and resolution.

# How We Audit

- We audit in accordance with
  - Government Auditing Standards
  - AICPA Standards
  - We build upon A-133 and other audits where relevant to our audit objectives.

# How We Audit

- We audit in accordance with criteria:
  - Award
  - Terms and Conditions
  - Proposal and Amending Letters
  - Assurances
  - Uniform Administrative Requirements
  - Federal Cost Principles
  - Laws, Regulations, and Program Guidance
  - Prudent Business Person

# How We Audit

- Where necessary, we **RECOMMEND** that the agency take corrective action.

# APPLICABLE REGULATIONS SPECIFIC TO ORGANIZATIONAL TYPE

Type	Administrative	Cost Principles	Audits
For Profit Entities	15 CFR Part 14	48 CFR Part 31.2 (Federal Acquisition Regulations)	“Program-specific” audit using Government Auditing Standards
Institutions of Higher Education	15 CFR Part 14	OMB Circular A-21	OMB Circular A-133
Non-Profit Organizations	15 CFR Part 14	OMB Circular A-122	OMB Circular A-133
Hospitals	15 CFR Part 14	45 CFR Part 74(E)	OMB Circular A-133
State and Local Governments	15 CFR Part 24	OMB Circular A-87	OMB Circular A-133

**Note:** *In conjunction with the above referenced audit regulations, awardees must also follow (1) Department of Commerce Financial Assistance Standard Terms and Conditions, (2) General Terms and Conditions, and (3) Special Award Conditions.*

## How To Ensure A Successful Audit

Thank You

Questions??