Grants Made Easy: How To Ensure A Successful Audit

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U.S. Department of Commerce

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Hi, I’m here to help you!!

How To Ensure A Successful Audit
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U.S. Department of Commerce

Secretary of Commerce

NOAA
EDA
NIST
NTIA
ITA
MBDA

OIG

Congress
How To Ensure A Successful Audit

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
## How To Ensure A Successful Audit

**Grants Outlays by Agency**

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

Source: Guide to Opportunities for Improving Grant Accountability
Distribution of Federal Grants

$450,000,000,000

- States: 80%
- Locals: 8%
- Universities: 7%
- Non-Profits: 4%
- Tribes, For-Profit, Others: 1%

Source: Guide to Opportunities for Improving Grant Accountability

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Top 15 Federal Grantors for Maryland

<table>
<thead>
<tr>
<th>Grantor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HHS</td>
<td>$3,634,513,900</td>
</tr>
<tr>
<td>Dept of Transportation</td>
<td>$826,000,215</td>
</tr>
<tr>
<td>Dept of Agriculture</td>
<td>$607,653,455</td>
</tr>
<tr>
<td>Dept of Labor</td>
<td>$577,435,614</td>
</tr>
<tr>
<td>Dept of Education</td>
<td>$191,697,939</td>
</tr>
<tr>
<td>HUD</td>
<td>$175,184,780</td>
</tr>
<tr>
<td>Dept of Defense</td>
<td>$79,997,014</td>
</tr>
<tr>
<td>NSF</td>
<td>$71,533,504</td>
</tr>
<tr>
<td>DHS</td>
<td>$67,727,702</td>
</tr>
<tr>
<td>NASA</td>
<td>$60,899,111</td>
</tr>
</tbody>
</table>

Total Grants for the State of Maryland: $7,505,908,000

Source: FY 2005 Single Audit report – State of Maryland

How To Ensure A Successful Audit
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

Thelma Amos, Single Audit Coordinator
(404) 730-2783 TAmos@oig.doc.gov
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
How To Ensure A Successful Audit

We’re Being

HELP!!!

AUDITED
How To Ensure A Successful Audit

Boy Oh Boy!
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

<table>
<thead>
<tr>
<th>Type</th>
<th>Administrative</th>
<th>Cost Principles</th>
<th>Audits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Profit Organizations</td>
<td>15 CFR Part 14</td>
<td>OMB Circular A-122</td>
<td>OMB Circular A-133</td>
</tr>
<tr>
<td>Hospitals</td>
<td>15 CFR Part 14</td>
<td>45 CFR Part 74(E)</td>
<td>OMB Circular A-133</td>
</tr>
<tr>
<td>State and Local Governments</td>
<td>15 CFR Part 24</td>
<td>OMB Circular A-87</td>
<td>OMB Circular A-133</td>
</tr>
</tbody>
</table>

**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??

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