2015 NOAA Financial Assistance Workshop

Things a Grant Recipient Should Know About Audits

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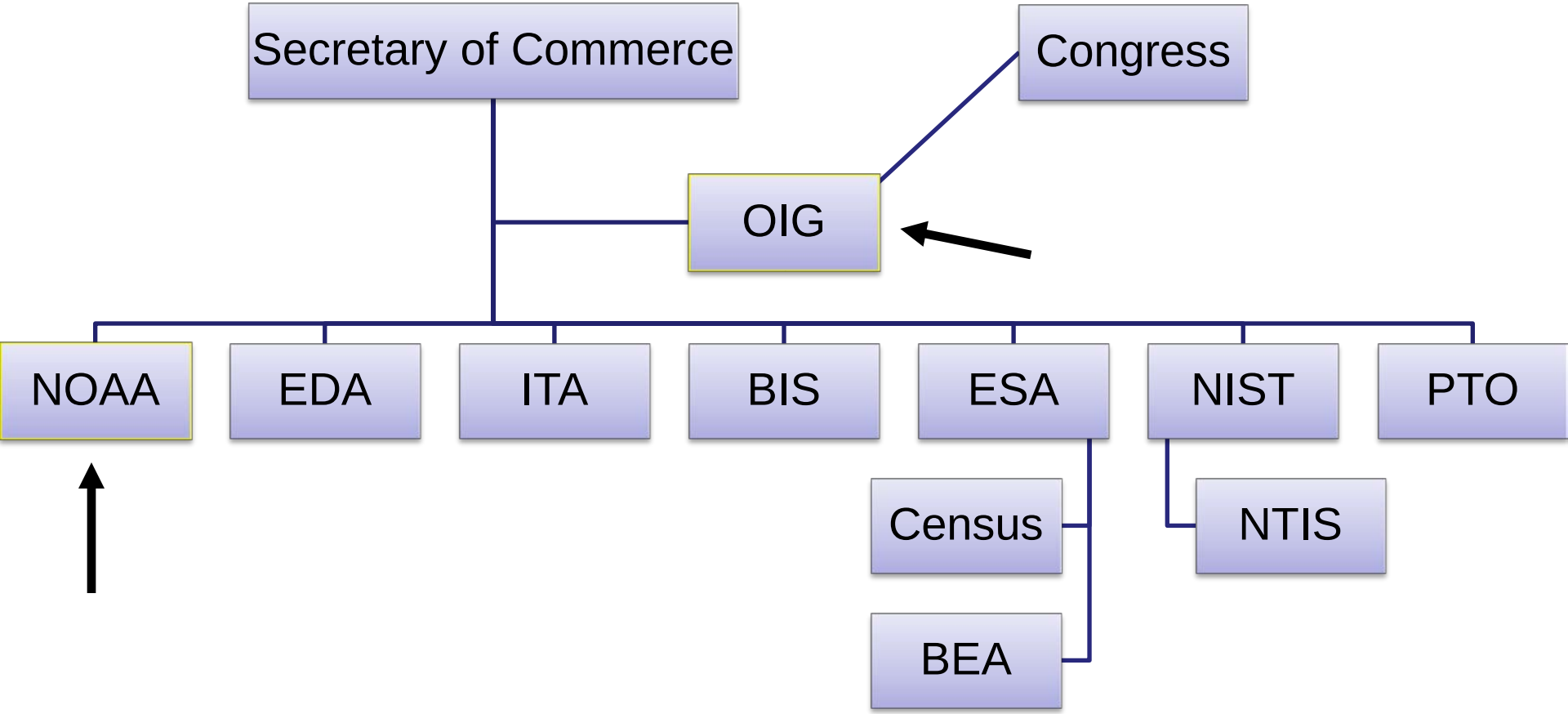
U.S. Department of Commerce



Inspector General (IG) Act of 1978, as amended

The IG Act created IGs for federal agencies and established their responsibilities and duties:

- Conduct independent and objective audits, investigations, evaluations, and inspections
- Prevent and detect waste, fraud, and abuse
- Promote economy, effectiveness and efficiency
- Review pending legislation and regulations
- Keep agency head and Congress fully and currently informed

IG Independence and Oversight

- IGs have a dual and independent reporting relationship to Department senior leadership and to Congress.
- The Department cannot prevent or prohibit an IG from conducting an audit or investigation.
- IGs must report suspected violations of criminal law to the Attorney General.

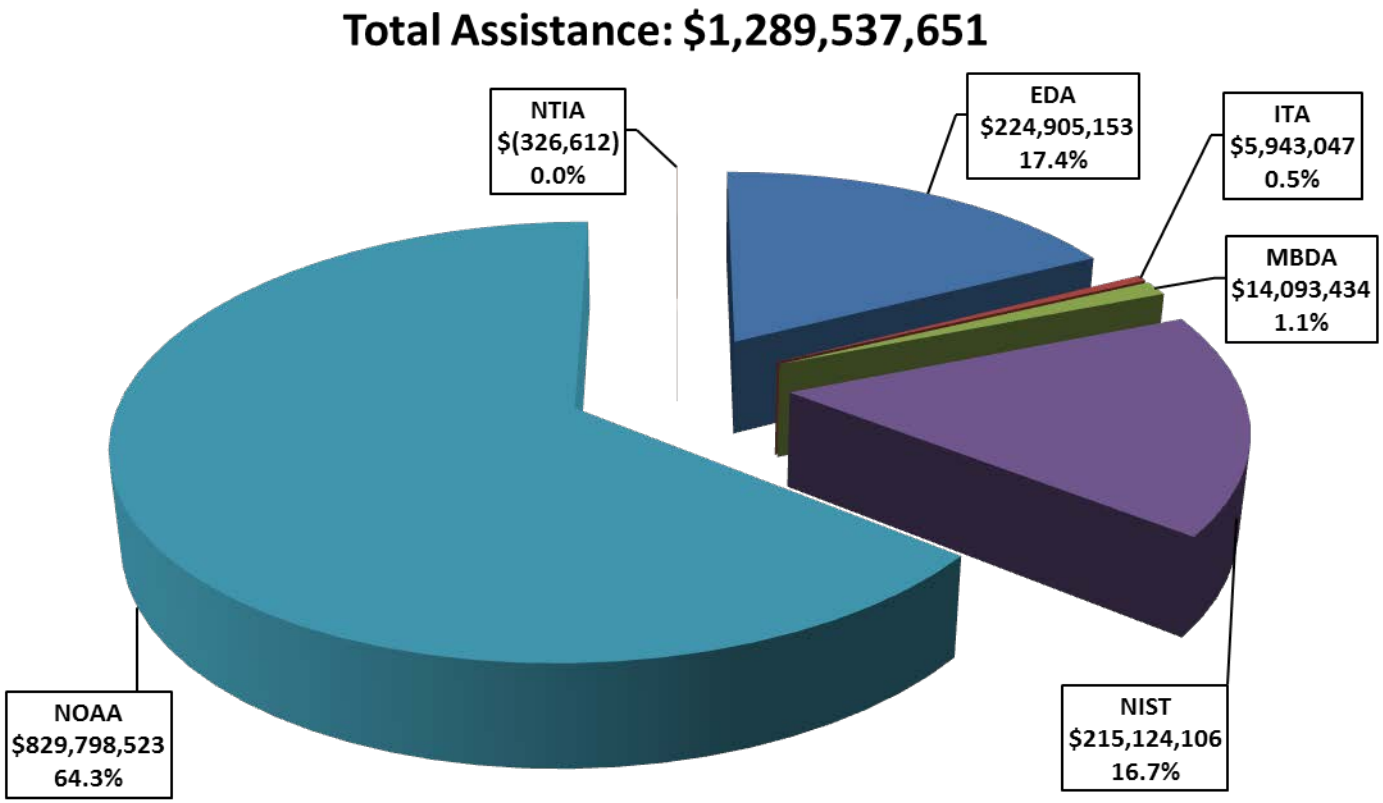
IG Authority

- Has unrestricted access to records and agency information
- Has direct access to the agency's senior leadership
- Conducts investigations and issues reports that IG deems appropriate (with limited security and law enforcement exceptions)
- Can issue subpoenas for information and documents outside the agency
- Maintains separate control of procurement and human resource actions.

Commerce OIG Overview

- FY15 Appropriation: $30.6 million (plus $1.5 million from Census, $1.3 million from NOAA, $2 million from PTO)
- Employees: ~150
- Locations: Washington, DC, headquarters and Atlanta, Denver, and Seattle Regional Offices, and Anchorage, AK sub-office.
- Oversight Areas: All Department of Commerce bureaus plus the Office of the Secretary and the Denali Commission.

Commerce Financial Assistance, FY2014



Source: USASpending.gov

Purpose of Single Audits

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

Single Audit Requirements in General

- Required when an entity has $750,000 in annual expenditures of federal funds (increased from $500,000 for FYB after 12/26/14)
- Major Programs generally receive the greatest audit coverage
- Must be submitted to the Clearinghouse within 9 months of the fiscal year end

OIG-Reviewed Single Audit Reports, 2014

Agency	Reports Reviewed	Reports With Findings	% Reports With Findings	Material Findings	Non-Resolution Findings	Cross-Cutting Findings	Total Findings	Questioned Costs
Census	1	0	0	0	0	2	2	$0
EDA	63	49	78	17	72	54	143	$362,601
ITA	1	1	100	0	0	1	1	$0
NIST	21	16	76	28	14	44	86	$609,903
NOAA	22	14	64	14	35	155	204	$1,321,737
NTIA	17	9	53	6	28	11	45	$336,098
USPTO	0	0	0	0	0	12	12	$0
Bureau Not Specified	0	0	0	0	0	3	3	$0
Multiple Bureaus	52	33	63	0	0	0	0	$0
Total	177	122	69	65	149	282	496	$2,630,339

Source: OIG-15-003-M and OIG-15-018-M (www.oig.doc.gov)

Single Audit Oversight

Effective December 26, 2014, OIG will no longer download or review nonfederal audit reports. Bureaus are now responsible for reviewing and resolving any audit findings.

What Can Trigger a Federal Audit

- Single Audit Oversight
- Grant Audit Task Force
- Grant/Program Officer Referral
- Hotline Complaints
- Congressional Request
- Programmatic Audits
- Risk Assessment

Risk Based Audit Selection

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
- May be referred to the Grants Officer, depending on the nature of the allegation

Scope of Audit

Scope may vary, but could include:

- Cost
- Compliance
- Performance issues

Cost Issues

- Salary distribution
- Fringe benefits
- Travel costs
- Entertainment costs
- Contributions & gifts
- Lobbying costs
- Indirect costs & allocation plan
- In-kind contributions
- Equipment
- Contracts & subagreements

Compliance Issues

- 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 Issues

- Achieving project/performance objectives
- Accomplishing legislative intent
- Meeting project timetable or performance deadlines
- Managing the project

Auditee Input

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

To Avoid Audit Findings

- Prepare a thorough, fact based proposal
- Review and tune-up financial, administrative, and project management systems
- READ and UNDERSTAND before you sign
- 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 Audit Findings

- If in doubt, ASK QUESTIONS and get answers and approval BEFORE acting
- Know your NOAA contacts
- DOCUMENT, DOCUMENT, DOCUMENT!
- Attend training
- Respond fully and timely at every opportunity during the audit and resolution

How We Audit

- We audit in accordance with:
  - Generally Accepted Government Auditing Standards (GAGAS)
  - AICPA Statement of Auditing Standards
  - The Inspector General Act of 1978, as amended. 5 U.S.C. App. 3.
- We build upon single audits 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 NOAA take corrective action.

Applicable Regulations Specific To Organizational Type

Type	Administrative	Cost Principles	Audits
For Profit Entities	15 C.F.R. Part 14	48 C.F.R. Part 31.2 (Federal Acquisition Regulations)	"Program-specific" audit using Government Auditing Standards
Institutions of Higher Education	15 C.F.R. Part 14	2 C.F.R. Part 220 (Formerly OMB Circular A-21)[1]	OMB Circular A-133[1]
Non-Profit Organizations	15 C.F.R. Part 14	2 C.F.R. Part 230 (Formerly OMB Circular A-122) [1]	OMB Circular A-133[1]
Hospitals	15 C.F.R. Part 14	45 C.F.R. Part 74	OMB Circular A-133[1]
State and Local Governments	15 C.F.R. Part 24	2 C.F.R. Part 225 (Formerly OMB Circular A-87) [1]	OMB Circular A-133[1]

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

[1] References are for FY2013 and earlier. Published 12-26-13, OMB superseded and streamlined Circulars A-21, A-87, A-110, A-122, A-89, A-102, A-133, and A-50 into 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (78 FR 78589).

THANK YOU!

Questions?