Audits: Reports and Resolutions
Uniform Guidance vs. OMB Circulars

- Prior to the Uniform Guidance, requirements governing cost principles, administrative requirements and single audit requirements were found in eight separate OMB Circulars.

- In addition to the Uniform Guidance, recipients and subrecipients of a DOL award must adhere to 2 CFR 2900 found at www.ecfr.gov.

- Adopted on December 19, 2014, includes a limited number of exceptions approved by OMB to ensure consistency with existing policy and procedures.

- Expanded at 2 CFR 2900.2, the exceptions definition of non-Federal entity includes for-profit or commercial and foreign entities.

- Grant recipients and subrecipients of DOL funds that are commercial or for-profit entities or foreign entities must adhere to 2 CFR 200 and 2 CFR 2900.
This course contains information on audit reporting and resolution practices.

- Identify responsibilities for meeting Single Audit requirements
- Discuss Single Audit reports and schedules
- Identify steps for resolution
- Ensure updates pertaining to resolution are updated
Course Topics

SECTION 1: What has changed?

SECTION 2: Audit Reports

SECTION 3: Federal, Recipient and Subrecipient Resolution Requirements

SECTION 4: Debt Collection
At the end of this course, you should be able to:

- Identify the changes that impact the revised Single Audit requirements at the Federal and recipient levels.
- Recognize the components of a Single Audit report.
- Define auditee responsibilities.
- Identify the DOL’s resolution process.
- Review the debt collection requirements.
SECTION 1: What has changed?
Requirements apply to direct recipients and subrecipients of a Federal award such as:

<table>
<thead>
<tr>
<th>States &amp; local governments</th>
<th>Institutions of Higher Education (IHE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian tribes</td>
<td>Non-profit organizations</td>
</tr>
</tbody>
</table>

**DOL Exception 2 CFR 2900.2**

<table>
<thead>
<tr>
<th>Commercial entities</th>
<th>For-profit organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign organizations</td>
<td>Foreign public entities</td>
</tr>
</tbody>
</table>

**NEW:** DOL’s exception expands the definition of “Non-Federal Entity,” which requires these organizations to adhere to the Uniform Guidance.
Compliance

Fiscal year beginning on or after January 1, 2015

Annual Compliance Supplement issued by OMB

For fiscal years beginning on or after December 26, 2014

New Single Audit requirements apply

Released yearly.

Streamlines the audit objectives and procedures for the 14 types of compliance requirements

Compliance Supplements may be found at
https://www.whitehouse.gov/omb/circulars_default
www.cfo.gov/cofar
A Single Audit or program-specific audit is required when a non-Federal entity **expends $750,000** or more in Federal awards in a fiscal year.

Non-Federal entities spending **less than $750,000** for a fiscal year are exempt, but required to have records available for review or audit by appropriate officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO).

A program-specific, limited scope, or agreed-upon procedures audit or review may be chosen instead.

**How do you know...**

- Check with your accounting or auditing department and auditors on documentation needs.

Basis for determining Federal awards has been expanded to include accrued costs, disbursements to recipients, program income expended.
What is a Single Audit?

A comprehensive review of an organization’s financial activity.

Covers all funds EXPENDED during operations of the non-Federal entity.

Conducted by an independent auditor in accordance with GAGAS.

Provides standards for testing compliance.
Purpose of the Single Audit Act

OMB Circular A-133
Audits of States, Local Governments, and Non-Profit Organizations

- Sets standards to ensure consistency and uniformity
  - Audit of non-Federal entities expending Federal awards
  - Provides an overview of an organization’s financial operations
- Replaces individual Federal agency OIG program-specific audits with one audit accepted by all

NOT intended to provide detailed financial coverage or in-depth review of individual programs/awards
Types of alternative audits:

- Program specific
- Limited scope
- Agreed-upon procedures

2 CFR 200.425

- Federal agency may pay for additional audits
- Additional audits...Unallowable cost
- Pass-through entities pay for oversight audits

✔ One exception to allowable cost rule is in the case of pass-through entities that procure agreed-upon procedures for the oversight of subawardees exempt from Single Audit and Subpart F requirements.
Frequency and Timing

**2 CFR 200.504**

Audits are to be performed annually.

**2 CFR 200.512(a)**

Submission of Audit Report and Data Collection Form to Federal Audit Clearinghouse

- Within one month of completion
- No later than nine months after the end of the audit period (fiscal year)

Biennial audit exceptions:
- States
- Local government
- Indian tribes
- Non-profit organizations
2 CFR 200.512(c)

Reporting Package should be sent to the Federal Audit Clearinghouse (FAC) and include the following:

- Auditor’s report(s)
- Financial statements
- Expenditure Schedule of Federal awards
- Summary and status of prior year’s findings
- Corrective action plan Prepared by auditee
- Auditor’s Data collection form (SF-SAC)
- Must contain signature attesting to compliance by senior official
Exceptions for Indian Tribes and Tribal Organizations

May opt to instruct the Federal Audit Clearinghouse (FAC): no public access to the reporting package

✓ If a subrecipient, the auditee must submit report to any pass-through entity providing funding
Submit Data Collection Form and Reporting Package to FAC electronically.

Pass-through entity requests copies of each audit where there are findings

FAC’s website allows users to query its audit database

https://harvester.census.gov/facweb
Auditee must retain a copy of the Data Collection Form (SF-SAC) and Reporting Package:

For a minimum 3 years from submission to the FAC

Unless notified in writing to extend retention period

And make it available upon request
2 CFR 200.513

>$50 million expended results in a designation of cognizant agency for audit.
• Assigns cross-cutting findings for resolution.
• Manages audit compliance process.
• Ensures audits are conducted appropriately.
• Determined based on the predominant amount of Federal funds expended ((a)(2)).
  ✓ Done 2009 and 2014, every fifth year, next time being 2019.
  ✓ May reassign cognizance((a)(3))

If no cognizant agency authority (200.513(b))
• The oversight agency must ensure that audits are completed and reports are timely.
Auditee Responsibilities

2 CFR 200.508

- Procure/arrange for audit in accordance with 200.509
- Prepare appropriate financial statements
- Promptly follow up on corrective actions
- Provide auditor access to needed information
Auditee Responsibilities

2 CFR 200.508

- Identify all Federal awards received and expended by program
- Maintain internal controls over Federal programs
- Comply with laws, regulations, and provisions of contracts or grant agreements
- Ensure audits are properly performed and submitted when due
Auditee Responsibilities

Auditor Selection

- Always purchase audit services through a competitive procurement process
- Allow for peer review 200.509

Pass-through entity responsibilities

- Ensure that subrecipients meet audit and grant requirements
- Prepare management decisions on subrecipient audit findings
- Pursue debt collection

2 CFR 200.331(c)

https://harvester.census.gov/facweb
Knowledge Check

Knowledge Check
The dollar threshold for a single audit has increased to $1 million.

- A) True
- B) False
False.

After much discussion, the threshold was raised to $750,000 in total combined Federal expenditures, which also includes accrued costs, disbursements to subrecipients and program income expended.
The audit reports may be mailed to the FAC. Only the data collection form must be submitted electronically.

- A) True
- B) False
False.

With full implementation of the audit requirements, both the data collection forms and the reports are submitted electronically.
Auditees are responsible for preparation of all financial data.

A) True
B) False
False.

It is correct that the auditee must prepare financial statements, identify funds in accordance with requirements and comply with all documentation standards, but the auditor may use that data in different formats as part of the audit report preparation.
Cognizant agency responsibilities always belong to the entity that provides the most funding.

- A) True
- B) False
False.

Cognizant agency for Audit responsibilities are specified at 200.513.
SECTION 2: Audit Reports
Audit Report Framework

Audit Reports include the following separate reports:

- Opinion regarding the presentation of financial statements
- Report on internal control over financial reporting and compliance
- Report on compliance for each major program
- Schedule of findings and questioned costs

Go to the Audits: Reports and Resolution page on WorkforceGPS to download a sample copy of the Audit Report Structure handout.
# Audit Report Contents

---

**SMART COMMUNITY COLLEGE**

*Report on Federal Awards in Accordance with OMB Uniform Guidance Index*

*Fiscal year ending December 31, 2015*

## Part I – Financial Statements and Schedule of Expenditures of Federal Awards

<table>
<thead>
<tr>
<th>Section</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>1-2</td>
</tr>
<tr>
<td>Financial Statements</td>
<td>3-6</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>7-14</td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>15-20</td>
</tr>
<tr>
<td>Notes to the Schedule of Expenditures of Federal Awards</td>
<td>21-26</td>
</tr>
</tbody>
</table>

## Part II – Reports on Internal Control and Compliance

<table>
<thead>
<tr>
<th>Section</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</td>
<td>27-28</td>
</tr>
<tr>
<td>Independent Auditor’s Report on Compliance with Requirements That Could have a direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance</td>
<td>29-33</td>
</tr>
</tbody>
</table>

## Part III – Findings

<table>
<thead>
<tr>
<th>Section</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>34-58</td>
</tr>
<tr>
<td>Summary of Status of Prior Audit Findings</td>
<td>59-87</td>
</tr>
<tr>
<td>Management’s Views and Corrective Action Plan</td>
<td>88-98</td>
</tr>
</tbody>
</table>

---

Go to the Audits: Reports and Resolution page on WorkforceGPS to download a sample copy of the Audit Report Structure handout.
**UNMODIFIED OPINION**
States that the financial statements are presented fairly and in conformity with GAAP.

➢ *Auditor’s Clean Bill of Health*

**QUALIFIED OPINION**
The financial statements present the entity's financial position, results of operations, and cash flows in conformity with GAAP, except for the matter of the qualification.
ADVERSE OPINION
The auditor concludes that the financial statements do not present the entity's financial position, results of operations, and cash flows in conformity with GAAP.

DISCLAIMER OF OPINION
Issued when the auditor is unable to form an opinion on an entity's financial statements. 3 major reasons will result in disclaimer:

- Limitation in scope exists
- Books of account not available
- Other significant uncertainty
SECTION 3: Federal Recipient and Subrecipient Resolution Requirements
Audit Resolution Process for Recipients

Recipient and subrecipients must have a system in place that follows sound management practices.

- Ensure corrective action
- Allow or disallow costs
- Determine applicability of “stand-in” costs
- Establish debt
- Provide appeal rights

For subrecipients, the pass-through entity must issue a management decision within 12 months of the audit acceptance by FAC [2900.21]
### Non-Federal Entities

<table>
<thead>
<tr>
<th>Must</th>
<th>May</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Have process &amp; procedures</td>
<td>• Make an administrative offset</td>
</tr>
<tr>
<td>• Charge interest on overdue debts</td>
<td>• Withhold advance payments or</td>
</tr>
<tr>
<td></td>
<td>• Take other actions</td>
</tr>
<tr>
<td></td>
<td>– As permitted by Federal statute</td>
</tr>
</tbody>
</table>

If funding period has elapsed, return funds to ETA.

No prescribed system in Uniform Guidance for debt collection.
<table>
<thead>
<tr>
<th>Non-Federal entities</th>
<th>States</th>
<th>Other Non-Federal Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• No prescribed system but WIOA regulations do require States to have process &amp; procedures</td>
<td>• Must use the audit resolution, debt collection and appeal procedures that they use for other Federal grant programs 683.420(a)(1)(i)</td>
<td>• Must provide opportunity for informal resolution and hearing 683.600(c)(2)</td>
</tr>
</tbody>
</table>
Non-Federal Resolution of WIOA Audits

- Governor is responsible for resolving the audit findings related to LWIAs and other subrecipients
- Must use same resolution process, debt collection, and appeals procedures for WIOA as for other grant programs
Cooperative Audit Resolution Process at a minimum includes:

• An initial determination
• An informal resolution period
• A final determination

Sanctions applied to address any unresolved findings may include:

• Repayment of disallowed costs
• Completion of required corrective action

Time frames

• Within 180 days of receipt from OIG
DOL Pre-Resolution Stage

Awarding agency either:

- Accepts the audit as submitted or
- Determines additional work is required; returns for completion.

Direct Recipients...this is an OIG responsibility.
Pass-through entities...check to see if audit was rejected.

Audit Accepted

- Notify auditee
- Provide opportunity for additional documentation
- Provide associated time frames and contact information
- Consider an audit control log
  - Manual or automated
  - Contain details to ensure audit coverage
  - Include dates, period covered, findings and appeals
DOL Initial Determination

Resolution official reviews documentation/explanations and issues an Initial Determination

- Represents a preliminary management decision
- Validity of audit
- Corrective action proposed
- Documentation to refute findings
DOL Initial Determination

1. Review additional material
2. Determine use of “stand-in” costs
3. Followed by a period of informal resolution
DOL Final Determination

2 CFR 2900.20(a)(3)

☐ Results of informal resolution period
☐ Matters where disagreement exists
☐ Changes to facts stated in Initial Determination
☐ Required corrective action
☐ Sanctions
☐ Appeal rights

All resolution dates and auditee response dates need to be tracked to ensure compliance with the requirements.
Part of the audit resolution process to be completed before the final management decision is issued.

Comptroller General Decision B-208871.2

Allowable costs substituted for disallowed costs

Additional grant-activity costs not financed by grant

Included in audit scope

Not resulting in cost-limitation violation
Stand-In Costs

**Additional Conditions**

- Accounted for in recipient or subrecipient financial system
- Documented in same manner as all grant costs
- In-kind contributions not acceptable
- Same time period
- Costs of same organization
DOL Appeal Process

2 CFR 2900.22

Grantor agency decides between two options

1. Appeal to head of grantor agency
   ✓ Identify issues to be reviewed
   ✓ Decision issued within 90 days after closing of record

2. Appeal to Administrative Law Judge
   ✓ Identify issues to be reviewed
   ✓ Decision issued within 90 days
   ✓ Further limited appeal to Secretary of Labor
Knowledge Check
DOL uses a cooperative audit resolution process to resolve all audit findings.

- A) True
- B) False
True.

This process is defined in the DOL exceptions to the Uniform Guidance at 2 CFR 2900.20.
Pass-through entities must also use the cooperative audit resolution process.

- A) True
- B) False
False.

Non-Federal entities, including pass-through entities, must use a process that provides for a determination on allowable costs, ensures corrective action, establishes debts, and provides appeal rights. The process used may mirror the cooperative resolution process, but it is not required.
SECTION 4: Debt Collection
Provisions:

- Debt established in Management Decision (Final Determination) payable in 30 days
- If not paid within 90 days Federal awarding agency may reduce the debt by:
  - Making an administrative offset
  - Withholding advance payments or
  - Taking other action permitted by Federal statute
- Interest charged on overdue debt
Federal Debt Collection

- Debt collection due within 30 days of the determination.
- Up to three demand letters sent at 30-day intervals.

WIA and WIOA Grants Only

Waiver of Liability

This agreement releases (Organization) from all liability relating to injuries that may occur (during activity, at location, etc.). By signing this agreement, I agree to hold (Organization) entirely free from any liability, including financial responsibility for injuries incurred, whether injuries are caused by negligence.

I also acknowledge the risks involved in (type of activity). These include, but are not limited to (list risks). I agree that I am participating voluntarily, and that all risks are fully understood to me. Additionally, I do not have any conditions that will increase the risk of experiencing injuries while engaging in this activity.

By signing below, I forfeit all right to bring a suit against (Organization) for any reason. In return, I will receive (participation in activity). I will also make every effort to obey safety precautions as stated in writing and as explained to me verbally. I will ask for clarification when necessary.

I fully understand and agree to the above terms.

Waiver of liability (Rare)

Prior approval of proposed corrective actions
Prior Approval

Direct WIOA recipients may also request approval from the Grant Officer for any debt collection actions they plan to begin or forgo.

- Contemplative corrective actions
  - Including debt collection

- Direct recipient request of Grant Office

- Criteria are listed in 20 CFR 683.740(b)
  - Substantially the same as waiver of liability
WIOA Waiver of Liability

2 CFR 683.730(c)(1-5)

Direct recipients may request waiver from their Grant Officer if made during ETA resolution period.

- Disallowed expenditure occurred at Subrecipient level
- Not gross negligence or willful disregard
- Not a failure to follow standards
- Not constituted as fraud
  - If fraud, aggressive action to be taken by recipient
- Debt was established and appeal process exhausted
  - Further debt collection attempts deemed futile
- Formal request is required with supporting documents
Offset

2 CFR 683.750

A method of debt collection for WIOA programs.

- Funds paid to the non-Federal entity in excess of entitled amounts under the terms of the Federal award constitutes a debt.

- ETA may determine that a debt be offset against amounts due to a direct recipient.
  - Written request to be submitted by state to Grant Officer
  - If accepted, offset is applied against admin expenditures

- Federal agencies may offset future payments if debt not paid within 90 calendar days.

- For disallowed expenditures, the state can offset an amount equal to the debt from subsequent year’s local allocation from the appropriate program funding stream.
  - In these cases, the state must offset the amount against funds for admin costs of local area.
Offset

Collection of Amounts Due

**2 CFR 683.750**

- Authorized by Debt Collection Act.
- Occurs after the Federal agency refers an uncollected debt to the US Department of Justice.
- U.S. Treasury can offset uncollected debt against any source of funds.
- Not authorized for anyone other than the Federal government.
- Still must expend at level demanded by the allotment.
- At the non-Federal level, only option is cash repayment.
Knowledge Check
An offset is available as a method of debt repayment for the Federal agency only.

A) True
B) False
False.

An offset is one method of debt repayment available for any grantee or non-Federal entity that owes money back to the Federal Awarding agency.
WIA and WIOA funded recipients have additional debt repayment options that are not available to grant recipients of other DOL programs.

- A) True
- B) False
True.

In addition to the debt repayment options available to all grant recipients, WIA and WIOA funded recipients also have the options of a waiver of liability and the prior approval of proposed corrective actions.
Key Points by Lesson

Section 1: What Has Changed?

✓ Applicability, Compliance and New Dollar Threshold
✓ Single Audit, Frequency and Timing
✓ Auditee Responsibilities

Section 2: Audit Reports

✓ Framework, Contents, Opinions
Section 3: Federal Recipient and Subrecipient Resolution Requirements

- Resolution process including appeals, WIA and WIOA considerations

Section 4: Debt Collection

- Requirements and responsibilities at all funding levels
This presentation is complete.