Audits and Audit Resolution

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Today’s Speakers

Charlie Watts
Accountant, DFMA
U.S. Department of Labor – Region 4
Dallas, TX
Watts.Charles@dol.gov

Nancy Taylor
Senior Accountant, DFMA
U.S. Department of Labor – Region 5
Chicago, IL
Taylor.Nancy@dol.gov

Grant Management Toolbox
Module Overview
- Applicability
- Types of audits
- Auditee and PTE responsibilities
- Report Framework
- Resolution - UG and DOL processes
- Debt Collection

Audit Requirements
- Applicability of the Audit Requirements
- Dollar Threshold
- Types of Audits
- Required Reports/Financial Schedules
- Record Retention
- Auditee and PTE Responsibilities
## Applicability

- All recipients and subrecipients of a Federal award:
  - States & local governments
  - Non-profit organizations
  - Indian tribes
  - Institutions of Higher Education (IHE)
  - For-profit or commercial entities*
  - Foreign organizations and foreign public entities* (For DOL grants only)

*Per 2 CFR 2900.2 Non-Federal entity

## Dollar Threshold

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 \[2 CFR 200.501(a)\]

- Must make all records available for audit or review by the Federal agency, its pass-through agency, and/or GAO
- Basis for determining Federal awards includes accrued costs, disbursements to subrecipients \[2 CFR 200.502\]
- Federal Agency or Inspectors General (OIG) may require audits to meet regulatory or statutory requirements

## Determining Dollar Threshold

- Expenditure/expense transactions associated with awards, including grants, cost-reimbursement contracts under the final audit report, compacts with Indian Tribes, cooperative agreements, and direct appropriations
- Disbursement of funds to subrecipients
- Use of loan proceeds under loan and loan guarantee programs
- Receipt of property
- Receipt of surplus property
- Receipt or use of program income
- Distribution or use of food commodities
- Disbursement of amounts entitling the grant recipient to an interest subsidy
- Period when insurance is in force
Purpose of Single Audit Act

✓ Set standards for obtaining consistency and uniformity among Federal agencies:
  ► Audit of non-Federal entities expending Federal awards
  ► Provides an overview of an organization’s financial operations

It is NOT intended to provide detailed financial coverage or in-depth review of individual programs/awards

Types of Audits

✓ Single Audit
✓ Program-Specific Audit
✓ Limited scope
✓ Agreed-upon procedures

Single Audit

✓ Federal awards from two or more Federal programs
  ► Conducted in accordance with GAGAS and 3 CFR 200.514 Scope of Audit
  ► Organizational-wide audit

✓ Process of collecting and evaluating financial evidence to formulate an independent, professional opinion or other judgment about assertions made by management

✓ (GAO) issues a compliance supplement for Federal awards updated on an annual basis
Program-Specific Audit

- Federal awards came from only one Federal program
  - Federal program’s statutes, regulations, or the terms and conditions of the Federal award do not require an organization-wide financial statement audit
  - Conducted in accordance with 2 CFR 200.507 Program-specific audits.
- Program-specific audit guides may be available

Other Types of Audits

Types of alternative audits

- Limited scope
- Agreed-upon procedures

Costs

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

Frequency and Timing of Submission

- 2 CFR 200.504 and 2 CFR 200.512
- Performed annually
  - Biennial audit exceptions continue for certain states
- Submission of audit report/data collection form to Federal Audit Clearinghouse within the earlier of:
  - One month after receipt of audit report or
  - Nine months after the end of the audit period (fiscal year)
Reporting Package
- Auditor's report(s)
- Financial statements
- Schedule of Expenditures of Federal awards
- Summary and status of prior year's findings
- Corrective action plan prepared by auditee
- Auditor's Data collection form (SF-SAC)
- Signature attesting to compliance by senior official

Exception for Indian Tribes or Tribal Organizations

1. May opt to instruct the FAC: no public access to the reporting package
2. If a subrecipient, must pass-through entity providing funding

Federal Audit Clearinghouse

1. Submit data collection form and reporting package to FAC electronically.
2. Pass-through entity requests copies of each audit where there are findings
3. FAC's website allows users to query its audit database
   https://harvester.census.gov/facweb/
Audit Record Retention Period

Audittee must retain a copy of the Data Collection form (SF-SAC) and Reporting Package:

✓ Minimum 3 years from submission to the FAC
✓ May be extended if
✓ Make available upon

Auditee Responsibilities

✓ Procure/arrange for audit in accordance with 2 CFR 200.509
  ▶ Always purchase audit services through a competitive procurement process
  ▶ Allow for peer review
✓ Prepare appropriate financial statements
✓ Provide access to auditor of needed information
✓ Promptly follow up on corrective actions

Auditee Responsibilities (cont.)

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

*2 CFR 200.331(c)*

- ✓ Verify subrecipients meet audit requirements
- ✓ Prepare management decisions on subrecipient audit findings
- ✓ Pursue debt collection

### Knowledge Check – Questions

**True or False?**

1. The dollar threshold for a single audit is $1 million.  
2. Auditees do not have to be concerned with full and open competition when procuring audit services.  
3. The Single Audit was never designed to provide detailed in-depth coverage of individual grant awards.  
4. Program-specific audits meet the UG standards if all Federal expenditures are from one Federal program.

### Knowledge Check – Answers

1. The dollar threshold for a single audit is $1 million.  **False**
2. Auditees do not have to be concerned with full and open competition when procuring audit services.  **False**
3. The Single Audit was never designed to provide detailed in-depth coverage of individual grant awards.  **True**
4. Program-specific audits meet the UG standards if all Federal expenditures are from one Federal program.  **True**
Report Framework

- Framework
- Type opinions

What is in an Audit Report?

2 CFR 200.515

- An opinion (or disclaimer) on financial statements and schedule of expenditures of Federal awards
- Report on internal controls over financial reporting and compliance
- Report on compliance for each major program and internal control over compliance
- Schedule of findings and questioned costs which must include:
  - Summary of auditors results
  - Findings related to the financial statements
  - Findings and questioned costs for Federal awards

Financial Statement Opinions

- **Unmodified Opinion:** the financial statements are presented fairly 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.
Opinions on Internal Controls

A significant deficiency...
is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected.

A material weakness...
is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected.

Audit Resolution

✓ Recipient/PTE resolution process
✓ DOL’s cooperative resolution process

Recipient/PTE Audit Resolution Process

WIOA 20 CFR 683.420
✓ State or direct grant recipient
  ► Must utilize the written monitoring and audit resolution, debt collection and appeal procedures that it uses for other Federal grant programs.
  ► If no such written procedures, must prescribe standards and procedures to be used for this grant program.
✓ Other PTEs
  ► Must prescribe standards and procedures to be used for resolving subrecipient audits.
Recipient/PTE Audit Resolution Process (cont.)

✓ Issue management decision
  ► Ensure corrective action
  ► Allow or disallow costs

✓ Determine applicability of "stand-in" costs

✓ Establish debt
  ► For its subrecipients, the pass-through entity must issue a management decision within 12 months of the audit acceptance by FAC (2 CFR 2900.21)

✓ Provide appeal rights

Management Decisions

2 CFR 200.521
Pass-through entities must issue a management decision for audit findings related to Federal awards made to subrecipients detailing the corrective action necessary to resolve an audit or monitoring review finding. A management decision must:

✓ Clearly state whether or not a finding is sustained
✓ The reason for the decision
✓ Expected auditee action to repay disallowed costs/make financial adjustments
✓ Establish time requirements
✓ Include reference numbers assigned by the auditor

Management Decisions – DOL Resolution Process

2 CFR 2900.21 – PTE is responsible for issuing a management decision within twelve months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and should begin corrective action no later than upon receipt of the audit report.
### DOL Resolution Process

2 CFR 2900.20
- Cooperative Audit Resolution Process
- At a minimum, the process includes
  - An Initial Determination
  - An informal resolution process
  - A Final Determination
- Time frames
  - Within 180 days of receipt from OIG
- ETA recommends this process for PTEs

### Non-Federal Appeal Process

Uniform Guidance:
- No prescribed system
- Must have process & procedures
- WIOA 20 CFR 683.420
  - (i) A State or direct grant recipient must utilize the written monitoring and audit resolution, debt collection and appeal procedures that it uses for other Federal grant programs.
  - (ii) If a State or direct grant recipient does not have such written procedures, it must prescribe standards and procedures to be used for this grant program.

### DOL Pre-Resolution Stage

- Accept audit or return for additional work
- Provide opportunity for additional documentation
- Establish time frames
- Provide contact information
- Establish resolution tracking system
<table>
<thead>
<tr>
<th><strong>DOL Initial Determination</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Review additional material</td>
</tr>
<tr>
<td>✓ Permissibility of questioned costs/activities</td>
</tr>
<tr>
<td>✓ Administrative or system findings</td>
</tr>
<tr>
<td>✓ Sufficiency of corrective actions proposed by recipient</td>
</tr>
<tr>
<td>✓ Determine use of “stand-in” costs</td>
</tr>
<tr>
<td>✓ Followed by a period of informal resolution</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>DOL Final Determination</strong></th>
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</thead>
<tbody>
<tr>
<td>✓ Results of informal resolution period</td>
</tr>
<tr>
<td>✓ Matters where disagreement exists</td>
</tr>
<tr>
<td>✓ Changes to facts stated in Initial Determination</td>
</tr>
<tr>
<td>✓ Required corrective action</td>
</tr>
<tr>
<td>✓ Sanctions</td>
</tr>
<tr>
<td>✓ Appeal rights</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th><strong>Stand-In Costs</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Comptroller General Decision B-208871.2</td>
</tr>
<tr>
<td>✓ Allowable costs substituted for disallowed costs</td>
</tr>
<tr>
<td>✓ Additional grant-activity costs not financed by grant</td>
</tr>
<tr>
<td>✓ Included in audit scope</td>
</tr>
<tr>
<td>✓ Not resulting in cost-limitation violation</td>
</tr>
</tbody>
</table>
Stand-In Costs (cont.)

- 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

<table>
<thead>
<tr>
<th>Appeal to head of grantor agency</th>
<th>Appeal to Administrative Law Judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Within 21 days</td>
<td>• Within 21 days</td>
</tr>
<tr>
<td>• Identify issues to be reviewed</td>
<td>• Identify issues to be reviewed</td>
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<tr>
<td>• Decision issued within 90 days</td>
<td>• Decision issued within 90 days</td>
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<tr>
<td></td>
<td>• Exception to the decision</td>
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<tr>
<td></td>
<td>• Identify procedure, and the</td>
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<td></td>
<td>• finding of fact, law, or policy</td>
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<tr>
<td></td>
<td>• in dispute</td>
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<td></td>
<td>• Further limited appeal to</td>
</tr>
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<td></td>
<td>• Secretary of Labor</td>
</tr>
</tbody>
</table>

Knowledge Check 2 – Questions

**True or False?**

1. DOL uses a cooperative audit resolution process to resolve all audit findings.
2. Pass-through entities must also use DOL’s cooperative audit resolution process.
3. The PTE must issue the management decision within six months after the end of the audit period.
4. Stand-in costs must be recorded in the financial records and be subject to audit testing.
Knowledge Check 2 – Answers

1. DOL uses a cooperative audit resolution process to resolve all audit findings. **True**
2. Pass-through entities must also use DOL’s cooperative audit resolution process. **False**
3. The PTE must issue the management decision within six months after the end of the audit period. **False**
4. Stand-in costs must be recorded in the financial records and be subject to audit testing. **True**

Debt Collection

- UG requirements
- WIOA special provisions

Federal Debt Collection

2 CFR 200.345

- Federal 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 (cont.)

WIOA
✓ Waiver of liability (Rare)
✓ Prior approval of proposed corrective actions
✓ Offset

Debt Collection – Subrecipients

No Prescribed System in Uniform Guidance

Must
- Have process & procedures
- Charge interest on overdue debts

May
- Make an administrative offset
- Withhold advance payments or
- Take other actions
- As permitted by Federal statute

If funding period has elapsed, return funds to ETA

WIOA Special Provisions

Direct recipient
- Grant Officer waiver of imposition of sanctions
  - 20 CFR 683.750

Subrecipient
- Recipient’s request for advance approval of contemplated corrective actions
  - 20 CFR 683.760

Offset
- Offset debt against future allotments
  - 20 CFR 683.750

Grant and Financial Management TAG, sections 16.3 and 18.8, Special Considerations - WIOA
## WIOA Waiver of Liability

**20 CFR 683.730**

- Direct recipients may request Grant Officer waiver
  - Appeals process was exhausted
  - Further collection actions inappropriate or futile

- Waiver request considered only if
  - Subrecipient level
  - Not gross negligence, willful disregard, or failure to follow standards
  - If fraud, aggressive action taken by recipient
  - Debt established and appeal process exhausted
  - Further debt collection futile
  - Formal request with supporting documents

## WIOA Advance Approval of Contemplated Corrective Actions

**20 CFR 683.740**

- Direct recipients may request prior approval for Grant Officer waiver for
  - Debt established against subrecipient

- Waiver request considered only if
  - Misexpenditure was by a sub-subrecipient
  - Same provisions as required by the recipient “waiver” provisions were met

## Collection of Amounts Due

**2 CFR 200.345**

- Federal agencies may offset future payments if the debt is not paid within 90 days
  - Administrative offset against other requests
  - Withholding advance payments
  - Other action permitted by Federal statute

- Interest on an overdue debt
  - Date interest begins not extended by litigation/appeal

- U.S. Treasury
  - Any source of funds
Offset

20 CFR 683.750
✓ Applicable to title I WIOA and Wagner-Peyser funds
✓ State written request
✓ Offset only if misexpenditures not due to:
  ► willful disregard of the requirements of WIOA and regulations,
  ► fraud,
  ► gross negligence,
  ► failure to observe accepted standards of administration, or
  ► a pattern of misexpenditure

Offset (cont.)

20 CFR 683.750
✓ Debt offset against amounts allotted to the recipient or subrecipient
  ► Recipient-level disallowed expenditures offset against recipient administrative funds
  › Debt not fully satisfied until the GO reduces amounts allotted
  ► For subrecipient expenditures disallowed against the state, state offsets against subrecipient administrative funds
  › State has taken appropriate corrective action to ensure local area full compliance.
✓ Still must expend at level demanded by the allotment
Knowledge Check 3 – Questions

True or False?

1. There are additional debt repayment options other than cash repayment available to WIOA formula funded recipients.  
2. Offset is available as a method of debt repayment for the Federal agency only.  
3. Debts established at the time of the Management Decision (FD) are payable within 30 days from the date of the FD.  
4. Two conditions for waiver of debt are that the appeals process was exhausted and further collection actions are either inappropriate or futile.  
5. A recipient’s request for waiver is considered only if the misexpenditure was incurred by a subgrantee.

Knowledge Check 3 – Answers

1. There are additional debt repayment options other than cash repayment available to WIOA formula funded recipients. True  
2. Offset is available as a method of debt repayment for the Federal agency only. False  
3. Debts established at the time of the Management Decision (FD) are payable within 30 days from the date of the FD. True  
4. Two conditions for waiver of debt are that the appeals process was exhausted and further collection actions are either inappropriate or futile. True  
5. A recipient’s request for waiver is considered only if the misexpenditure was incurred by a subgrantee. True

Module Review

✓ The threshold for UG required audit is $750,000 of Federal expenditures  
✓ Audits must be procured under the procurement standards at 2 CFR 200.317 – 200.326  
✓ ETA recommends PTEs use ETA cooperative resolution process if resolutions process is not already established.  
✓ The appeals process for DOL grantees is found in the DOL exceptions at 2 CFR 2900.22  
✓ Debts resolved through offset result in reduction of the recipient’s/subrecipient’s allotment available for administrative expenditures
Core Monitoring Guide – Objective 3.f Audits and Audit Resolution

✓ Indicator 3.f.1: Audit Process
  ► Did the grant recipient submit its latest single or program-specific audit to the FAC?

✓ Indicator 3.f.2: Subrecipient’s Audit
  ► Did the PTE have an audit report from its subrecipients?

✓ Indicator 3.f.3: Report on Internal Controls
  ► Does the grant recipient have any administrative findings, significant deficiencies, and/or material weaknesses surrounding its internal controls?

SMART Checklist

✓ Audits and Audit Resolution
  ❑ Determine whether the audit expenditure threshold of $750,000 is met.
  ❑ Develop or update procedures to hire a qualified auditor procured as prescribed by the Procurement Standards at 2 CFR 200.317-326.
  ❑ Establish adequate internal controls over financial management systems to comply with Federal regulations and prepare financial statements and a schedule of expenditures of Federal awards.
  ❑ Develop or update procedures that ensure an audit is completed and submitted timely to the PTE or the FAC.
  ❑ Develop or update procedures that ensure timely submission and collection of subrecipients audits.
  ❑ Develop or update procedures to ensure timely resolution of audit findings.
  ❑ Develop or update procedures that adhere to the timeframes for management decisions and requests for appeals or hearings.

ETA and Uniform Guidance Resources

✓ Core Monitoring Guide
  ► Objective 3.f Audits and Audit Resolution
  ► Grant & Financial Management Technical Assistance Guide
    ► Chapter 16: Audit and Audit Resolution
  ► Department of Labor Exceptions 2 CFR Part 2900
    ► 2 CFR 2900.2
    ► 2 CFR 2900.21
    ► 2 CFR 2900.22
  ► WIOA Provisions 20 CFR Part 683
    ► 20 CFR 683.140
    ► 20 CFR 683.730-750

✓ Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR Part 200
  ► 2 CFR 200.317-326
  ► 2 CFR 200.345
  ► 2 CFR 200.501
  ► 2 CFR 200.502
  ► 2 CFR 200.504
  ► 2 CFR 200.507
  ► 2 CFR 200.509
  ► 2 CFR 200.512
  ► 2 CFR 200.514
  ► 2 CFR 200.515
  ► 2 CFR 200.521
Web Resources

✓ What is the best way to find your local American Job Center (AJC)?
  ► See DOL's Service Locator

✓ Want More Information?
  ► DOL/ERA.gov/Grants:
    • Funding Opportunities
    • How to Apply
    • Manage Your Awarded Grant
    • Resources and Information
      ▪ ETA-Grantee Handbook
      ▪ Annual Grant Terms Template
      ▪ Core Monitoring Guide
      ▪ Technical Assistance Guides
      ▪ Uniform Guidance Quick Reference Sheet

✓ Want More Training?
  ► Workforce GPS Grants Application and Management Community of Practice
    • Financial Reporting
    • Subrecipient Management and Oversight
    • Indirect Cost Rates
    • Policies and Procedures
    • Procurement and Performance-Based Contracts
    • Capital Assets and More
  ► WorkforceGPS SMART CMG Grantee Handbook

Remember the Grant Management Toolbox!

Questions?
Please complete your evaluations.