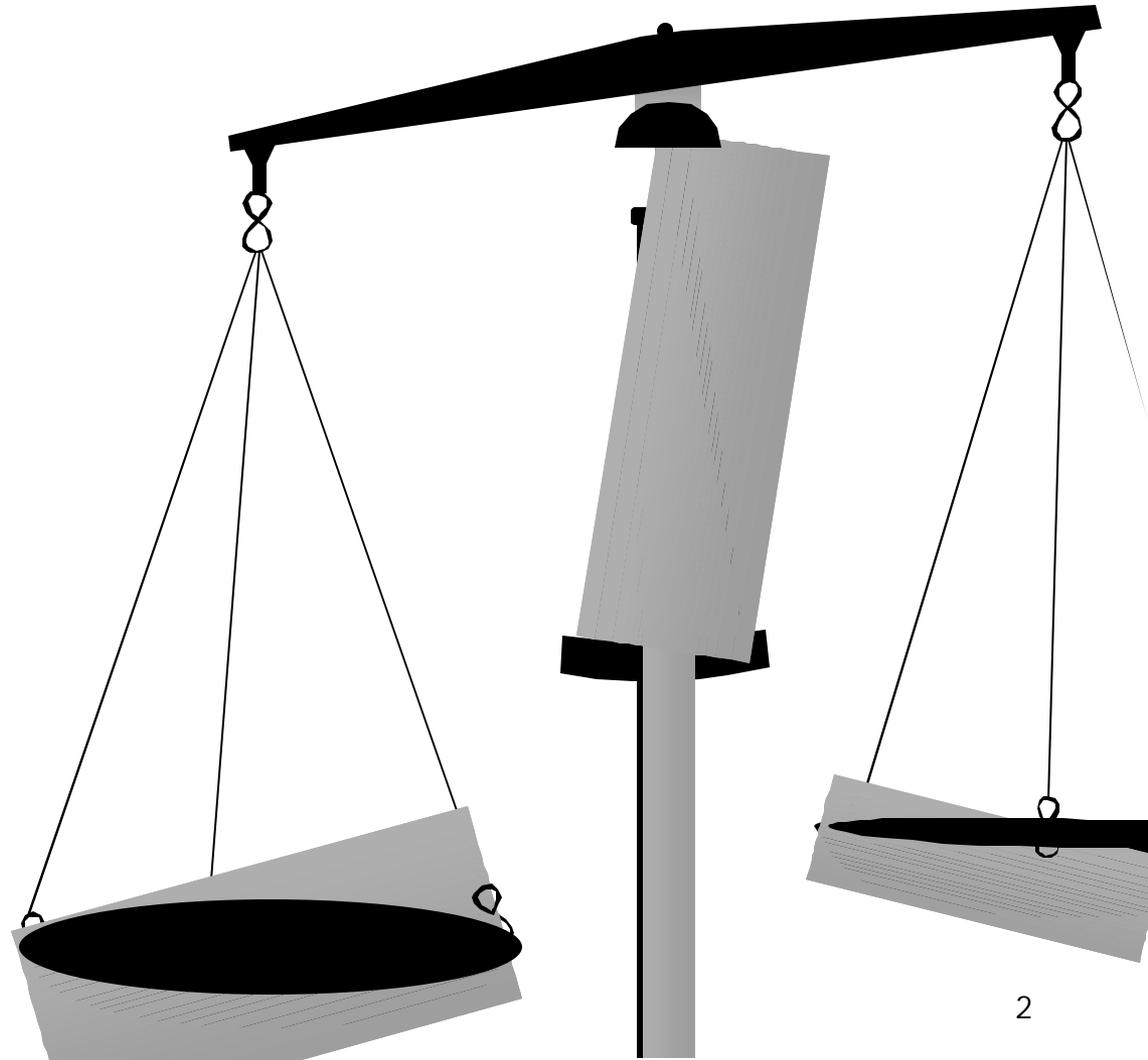


Audit and Audit Resolution

Presented by
Wendy Spivey
ADECA Audit Manager

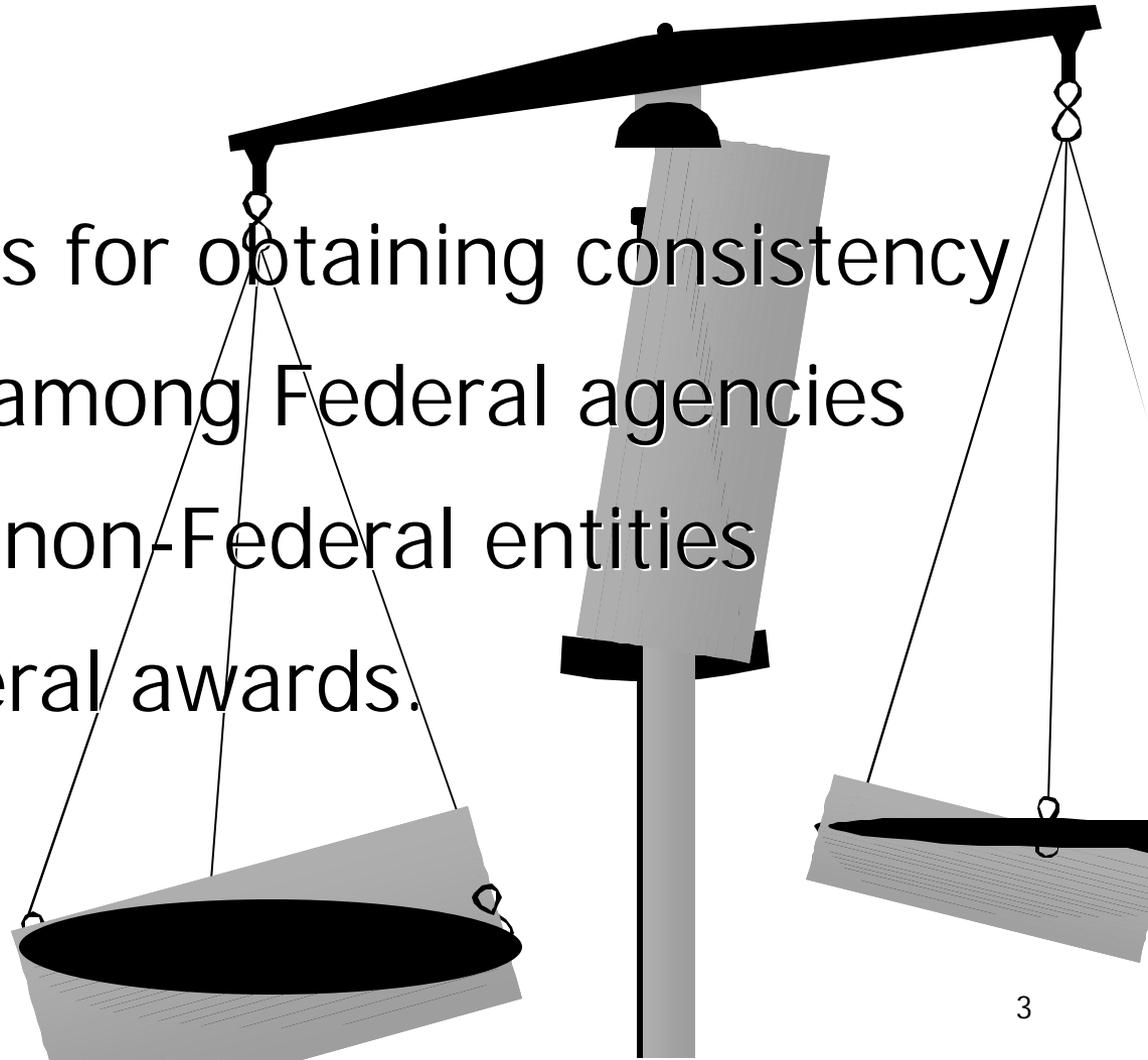


Overview



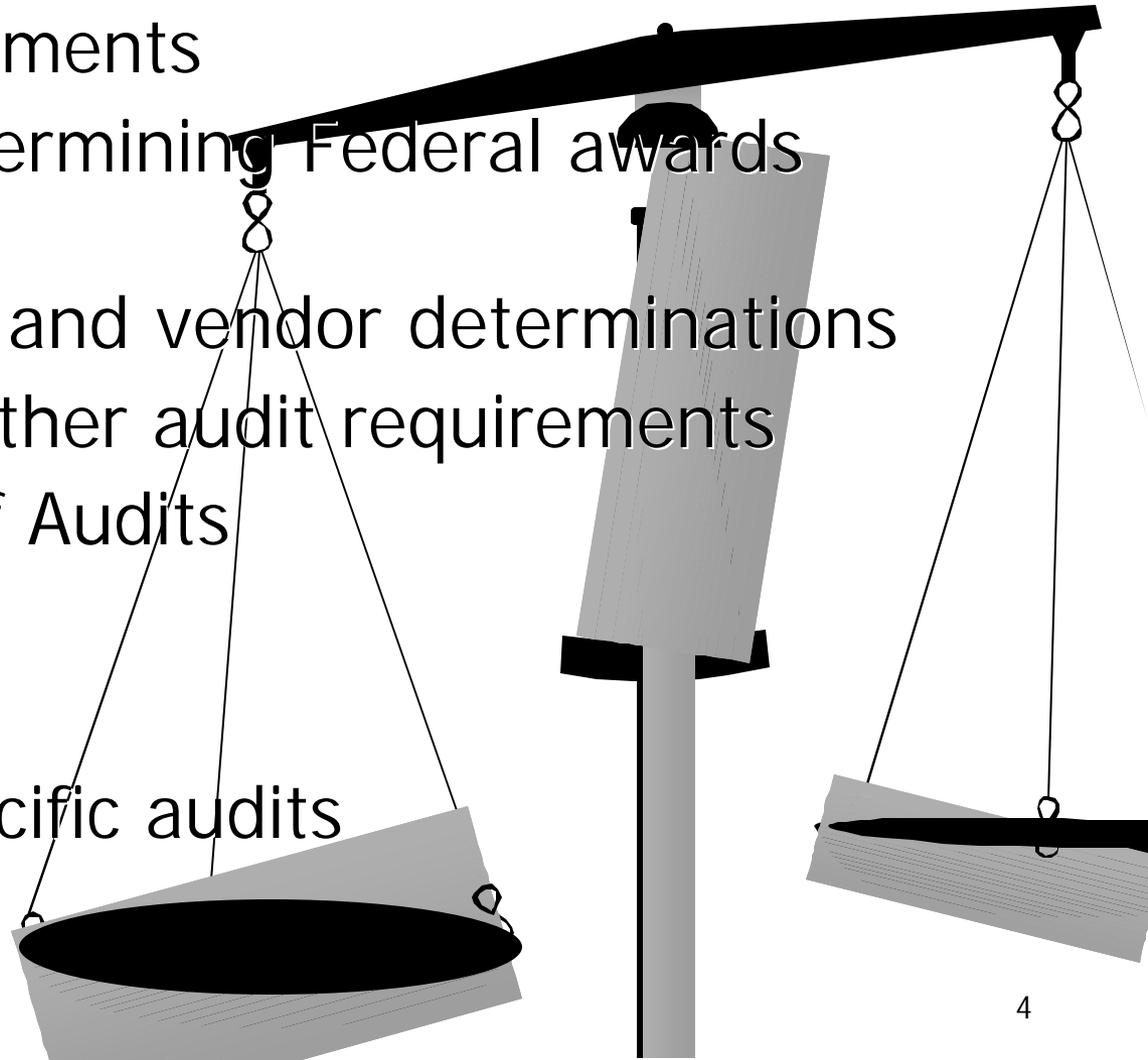
Purpose of OMB A-133

To set standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.



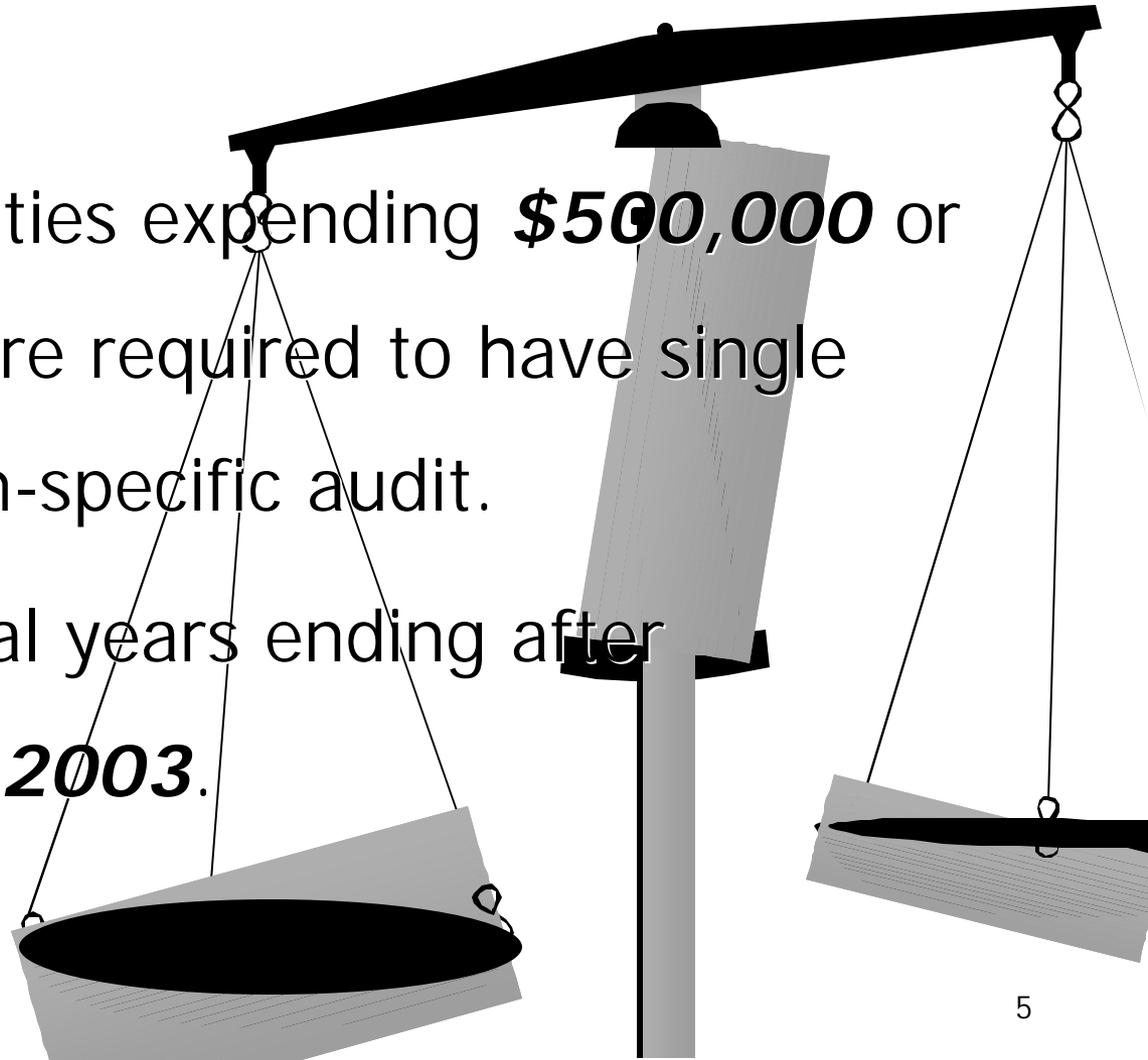
Subpart B - Audits

- .200 Audit requirements
- .205 Basis for determining Federal awards expended
- .210 Subrecipient and vendor determinations
- .215 Relation to other audit requirements
- .220 Frequency of Audits
- .225 Sanctions
- .230 Audit costs
- .235 Program-specific audits



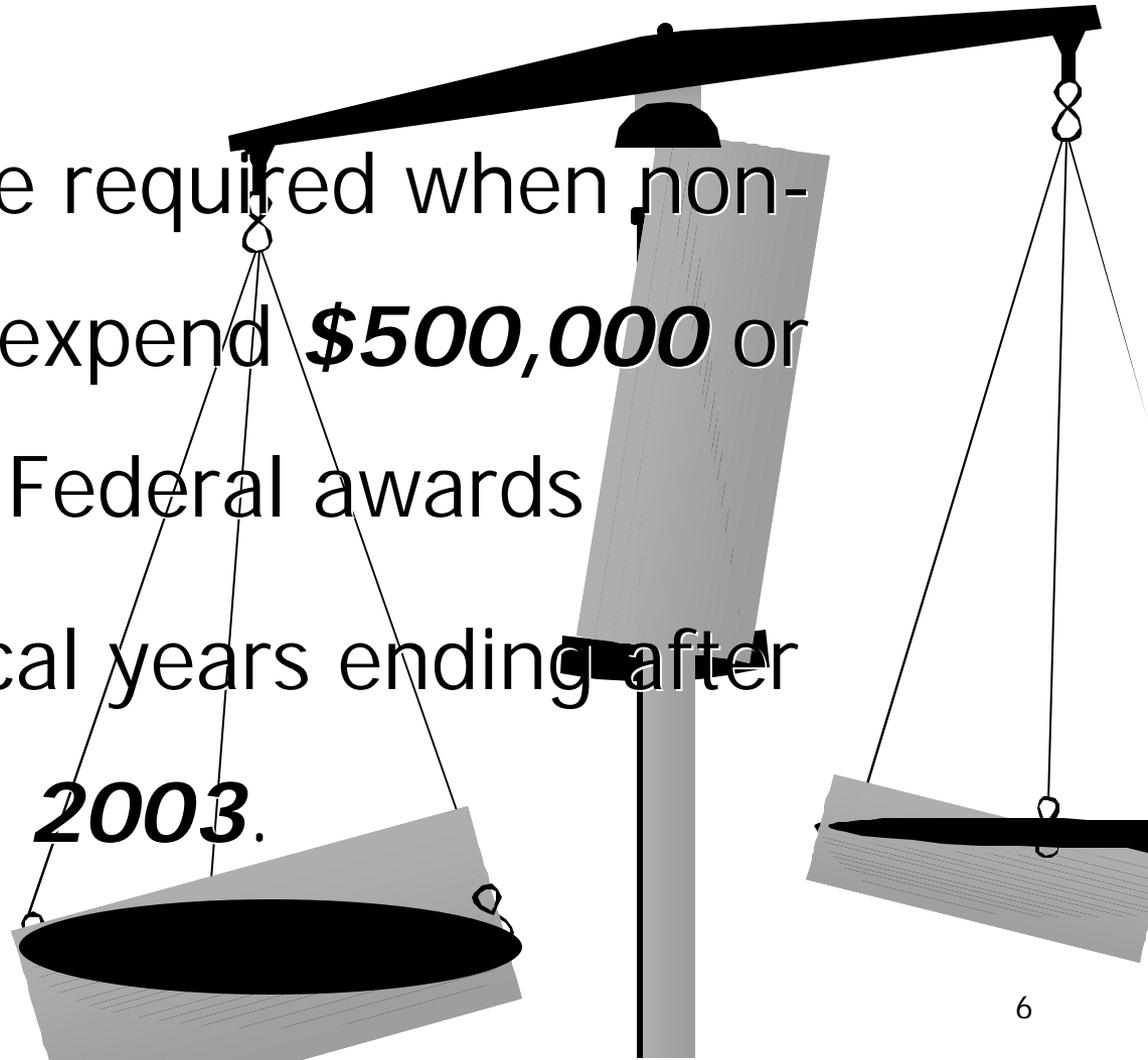
Audit Requirements

- Non-Federal entities expending **\$500,000** or more in a year are required to have single audit or program-specific audit.
- Effective for fiscal years ending after ***December 31, 2003.***



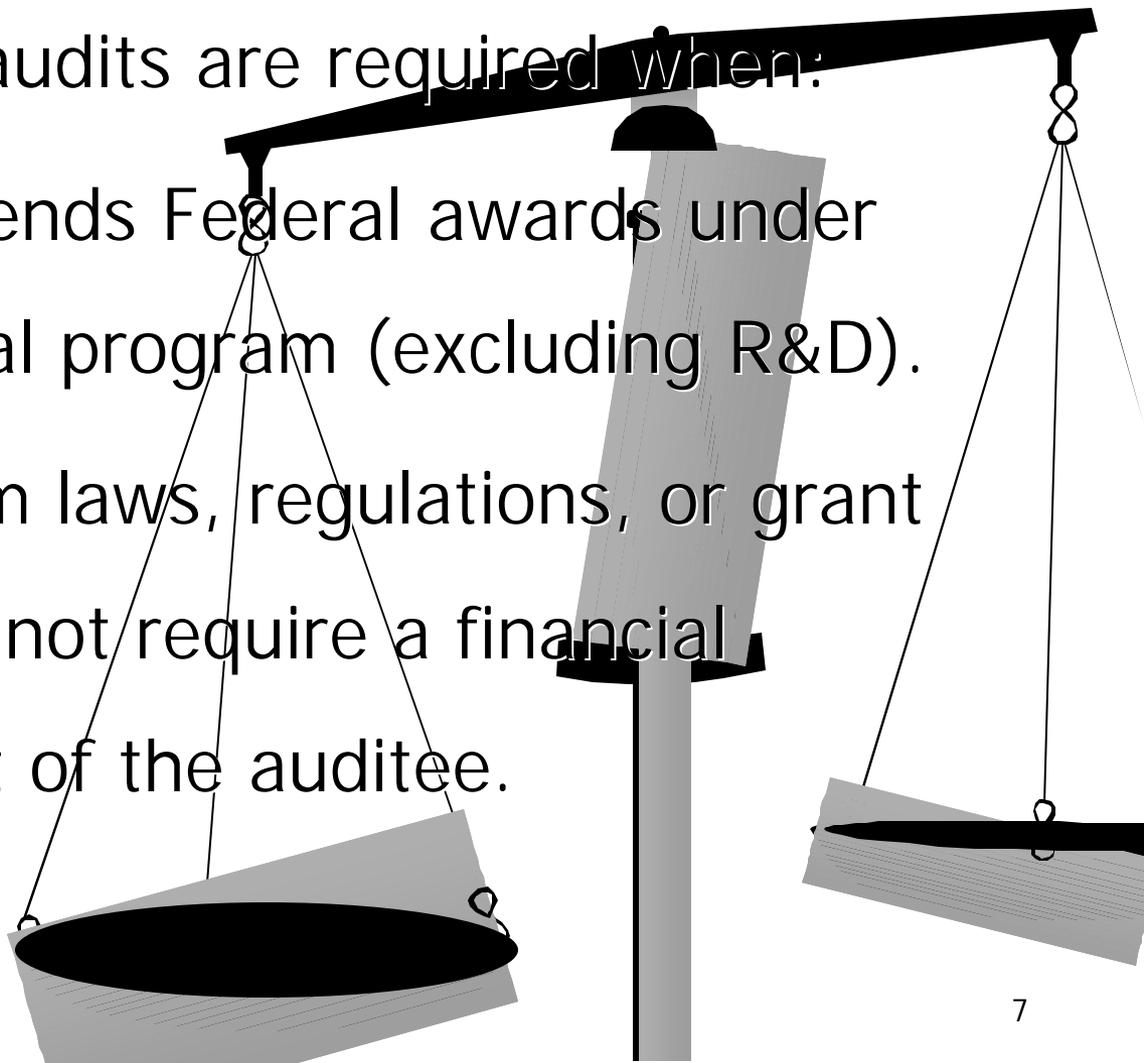
Audit Requirements

- Single audits are required when non-federal entities expend **\$500,000** or more in year in Federal awards
- Effective for fiscal years ending after ***December 31, 2003.***



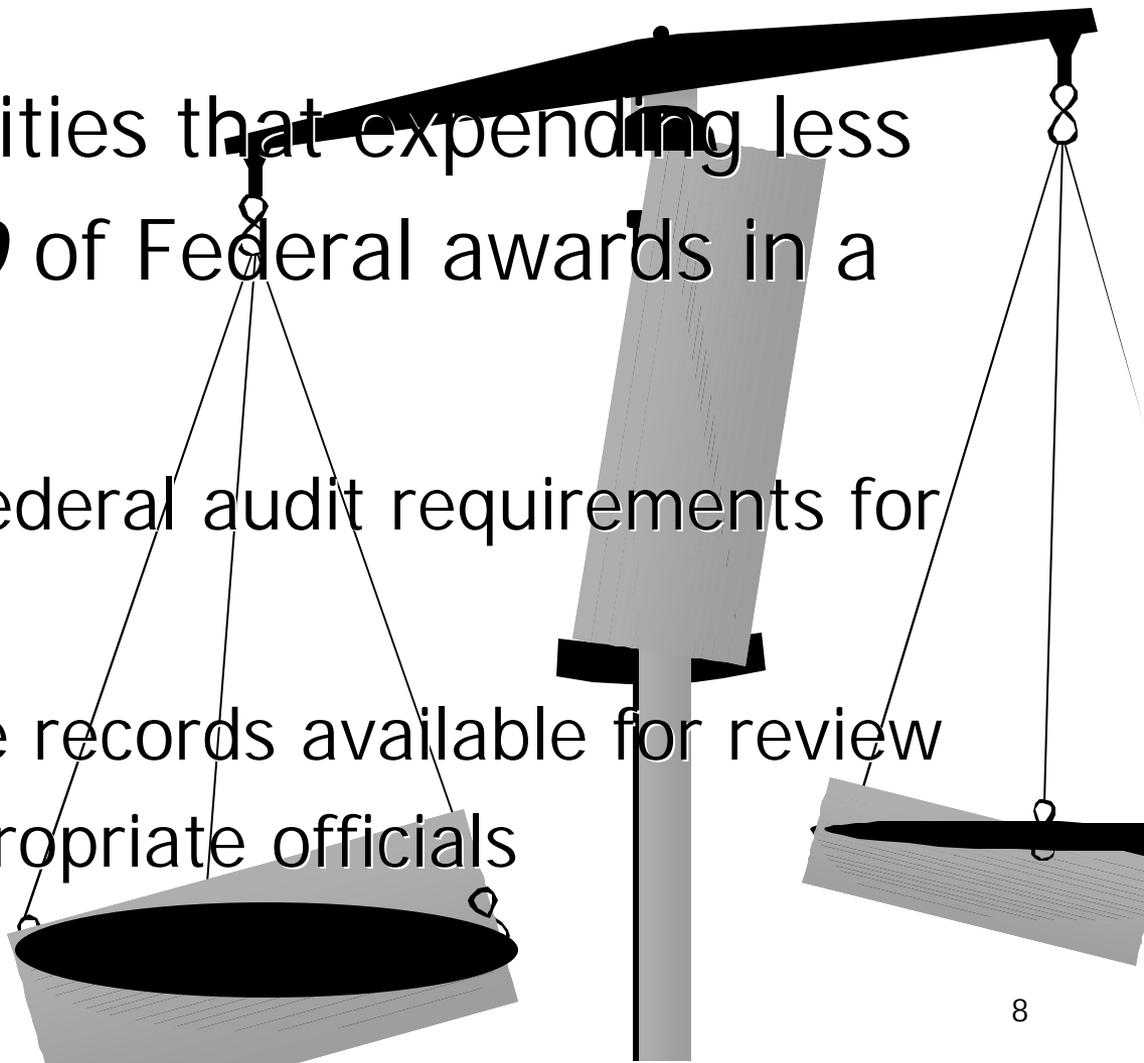
Audit Requirements

- Program-specific audits are required when:
 - An auditee expends Federal awards under only one Federal program (excluding R&D).
 - Federal program laws, regulations, or grant agreements do not require a financial statement audit of the auditee.



Audit Requirements

- Non-federal entities that are expending less than **\$500,000** of Federal awards in a year are:
 - Exempt from Federal audit requirements for that year
 - Require to have records available for review or audit by appropriate officials

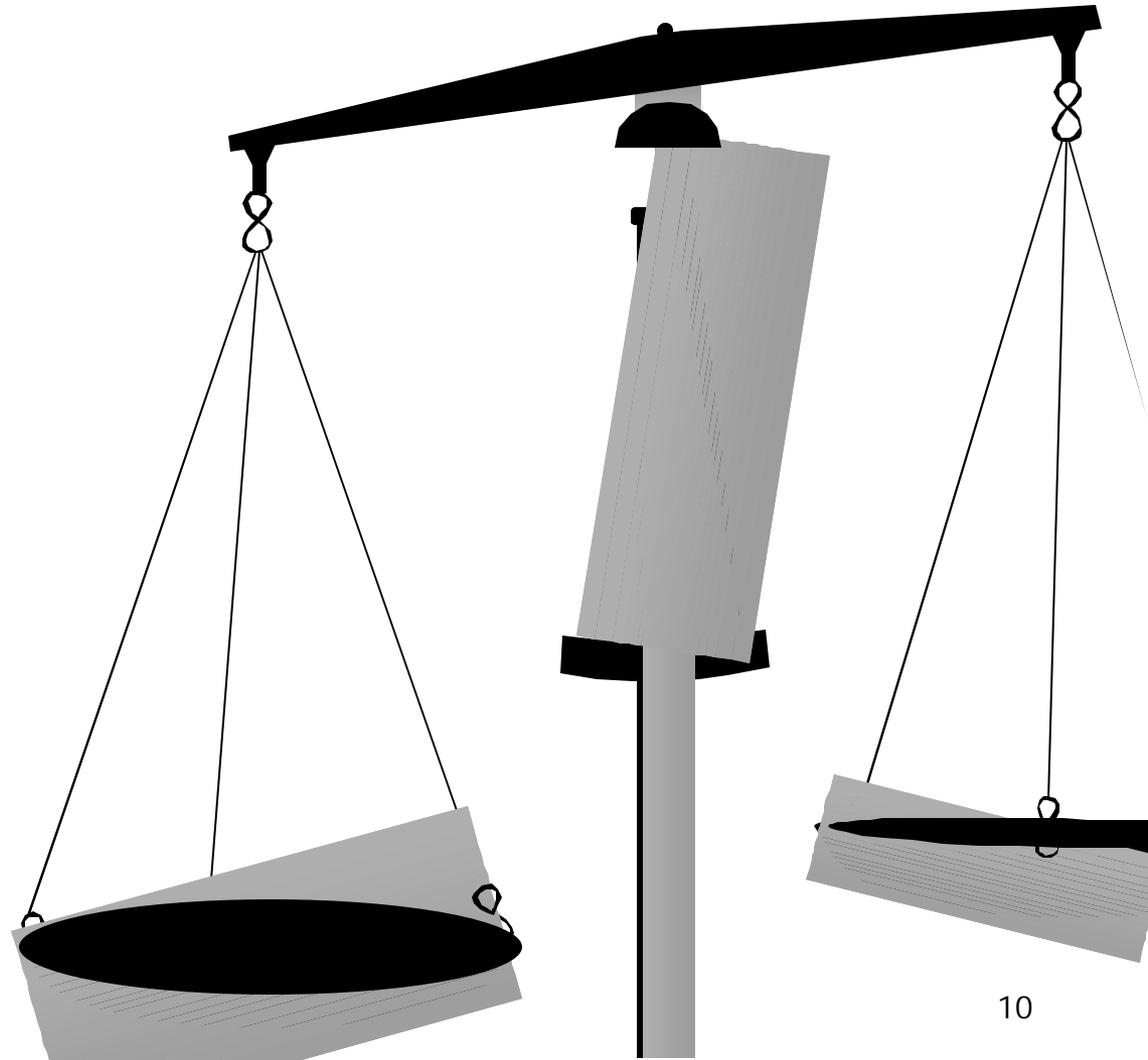


Federal Awards Expended

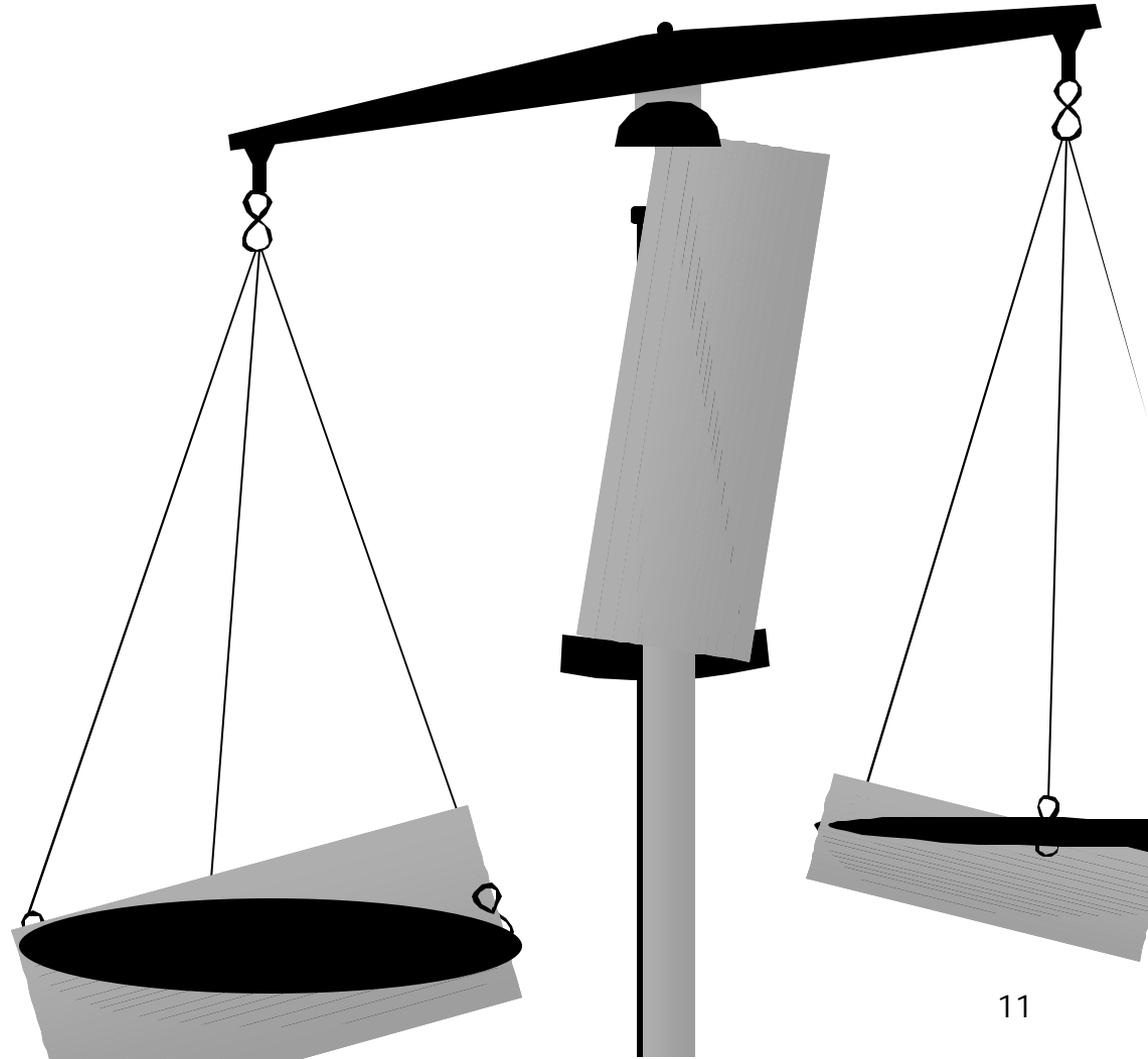
- Loans
- Endowment Funds
- Free Rent
- Non-cash Assistance
- Medicare
- Medicaid
- National Credit Union Administration Loans



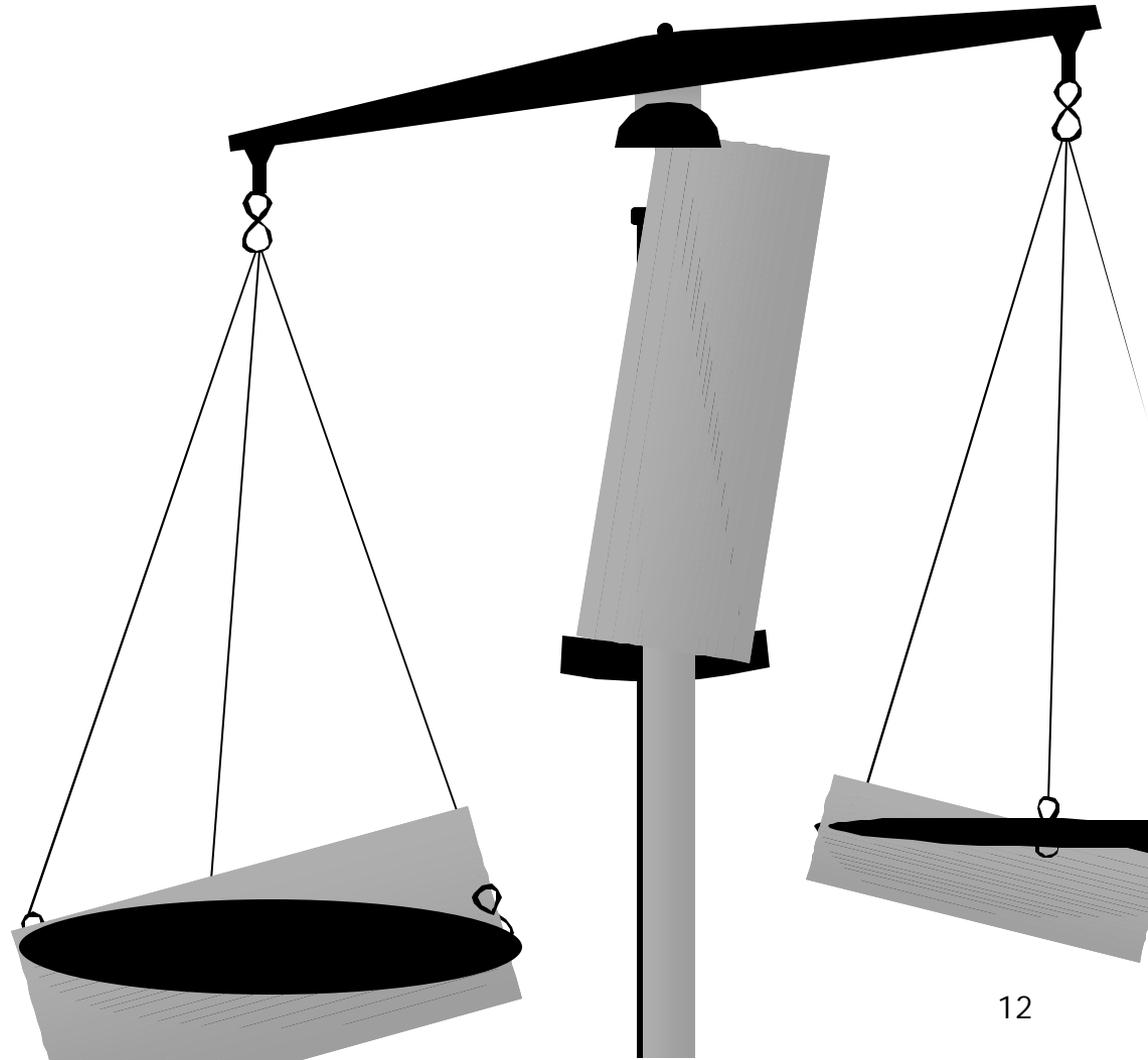
Subrecipient and Vendor Determination



Relation to Other Audit Requirements

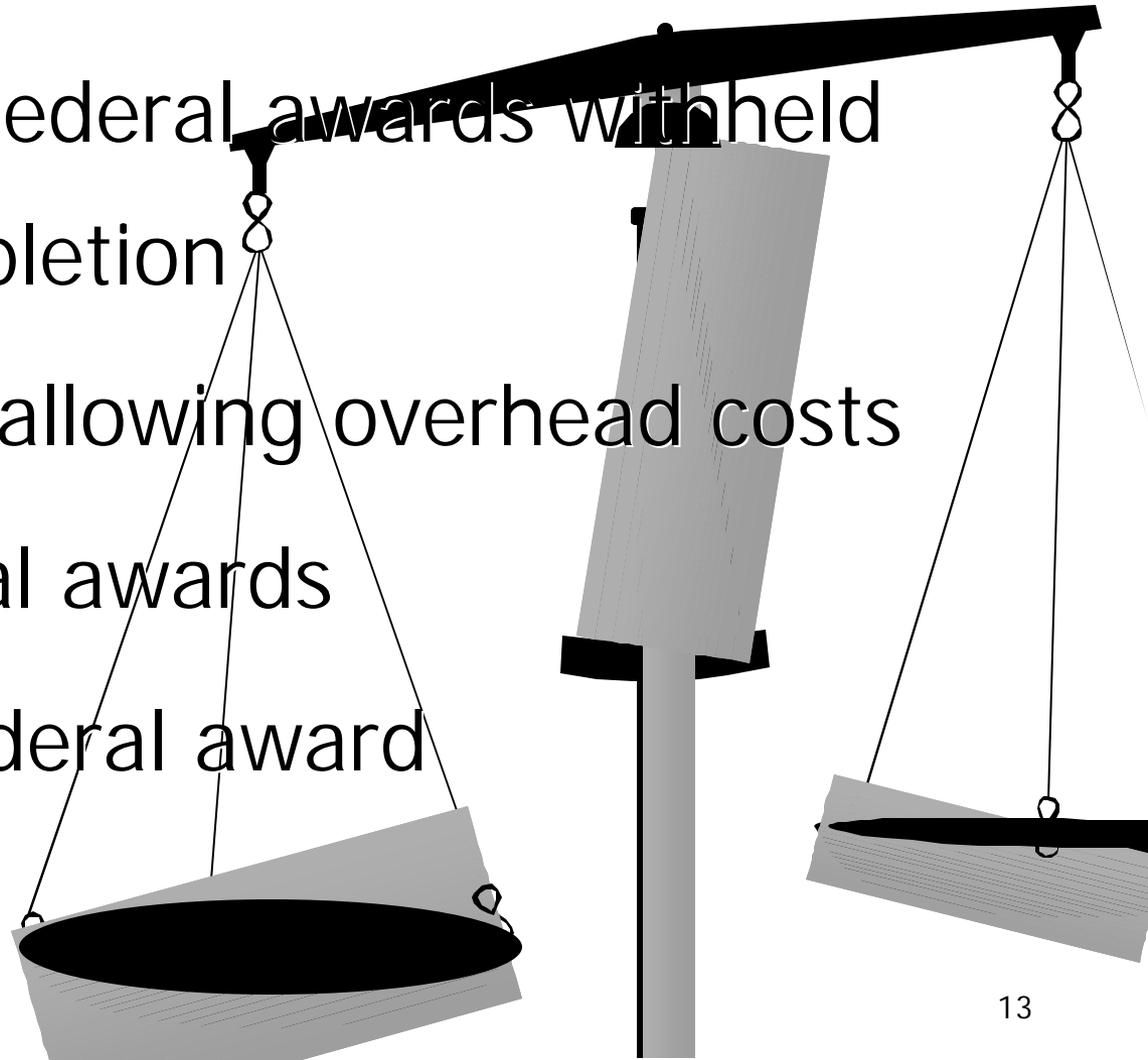


Frequency of Audits



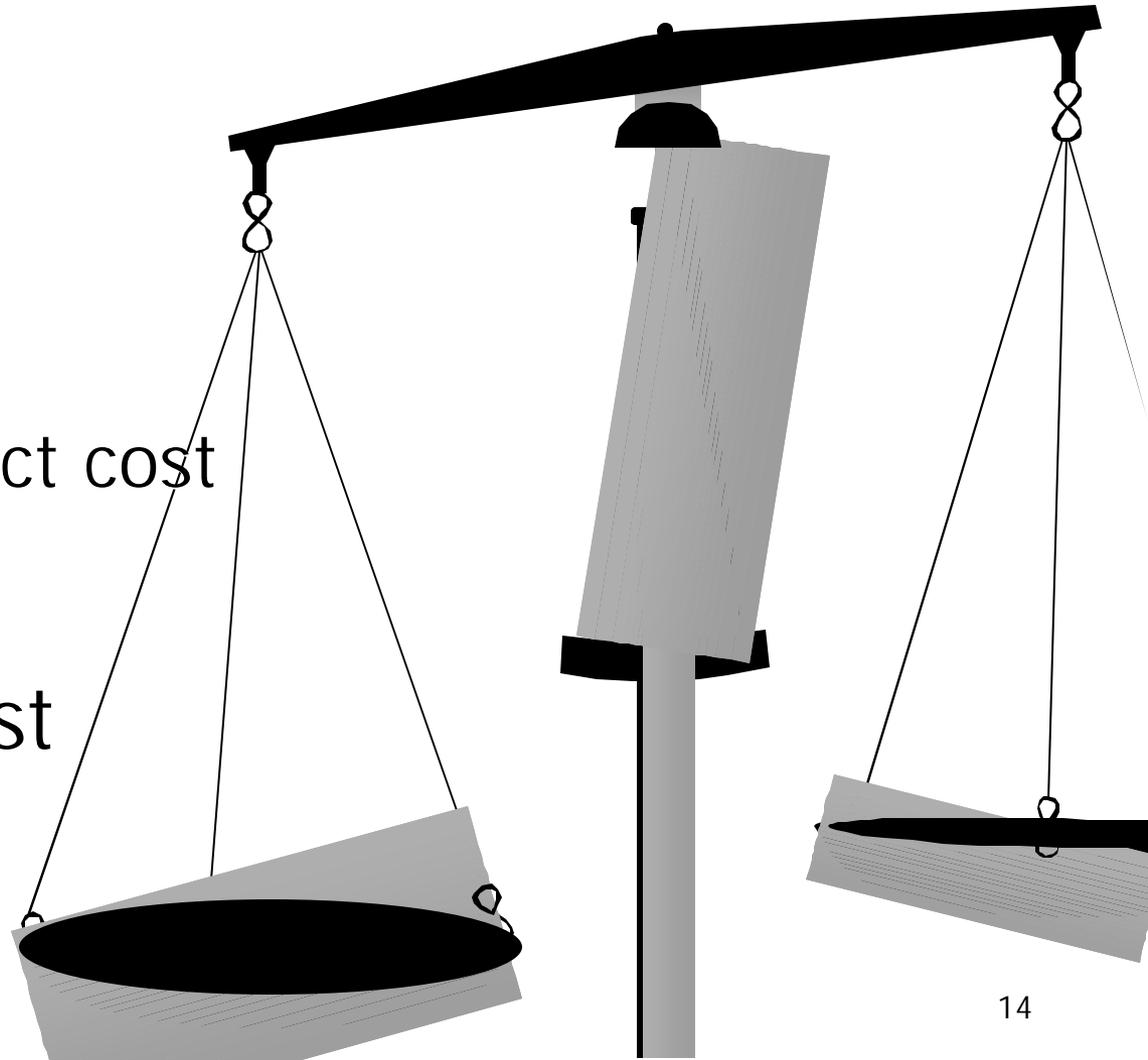
Sanctions

- Percentage of Federal awards withheld until audit completion
- Withholding/disallowing overhead costs
- Suspend Federal awards
- Terminating Federal award



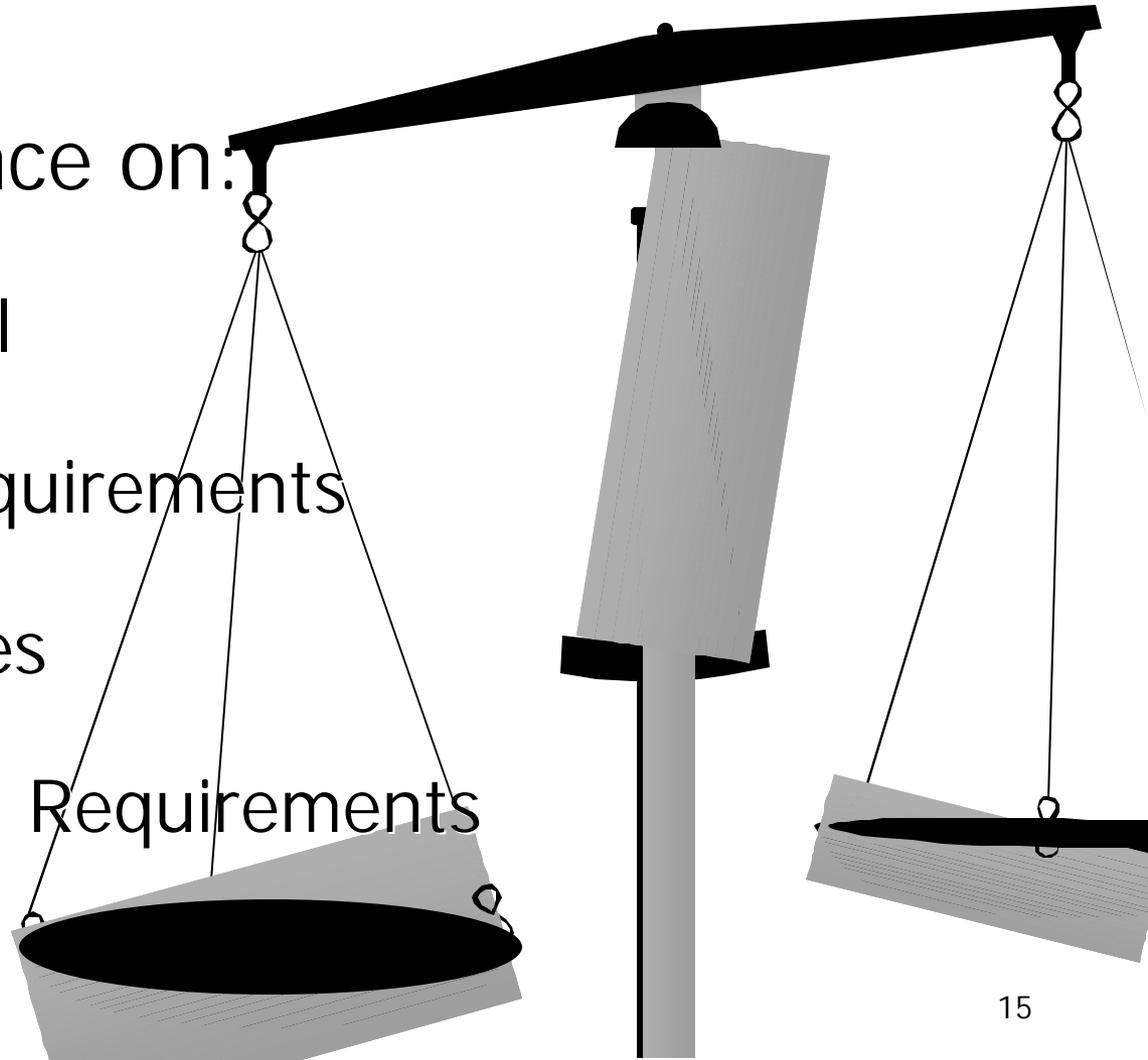
Audit Costs

- Allowable Cost
 - Direct cost
 - Allocated indirect cost
- Unallowable Cost



Program-Specific Audit Guide

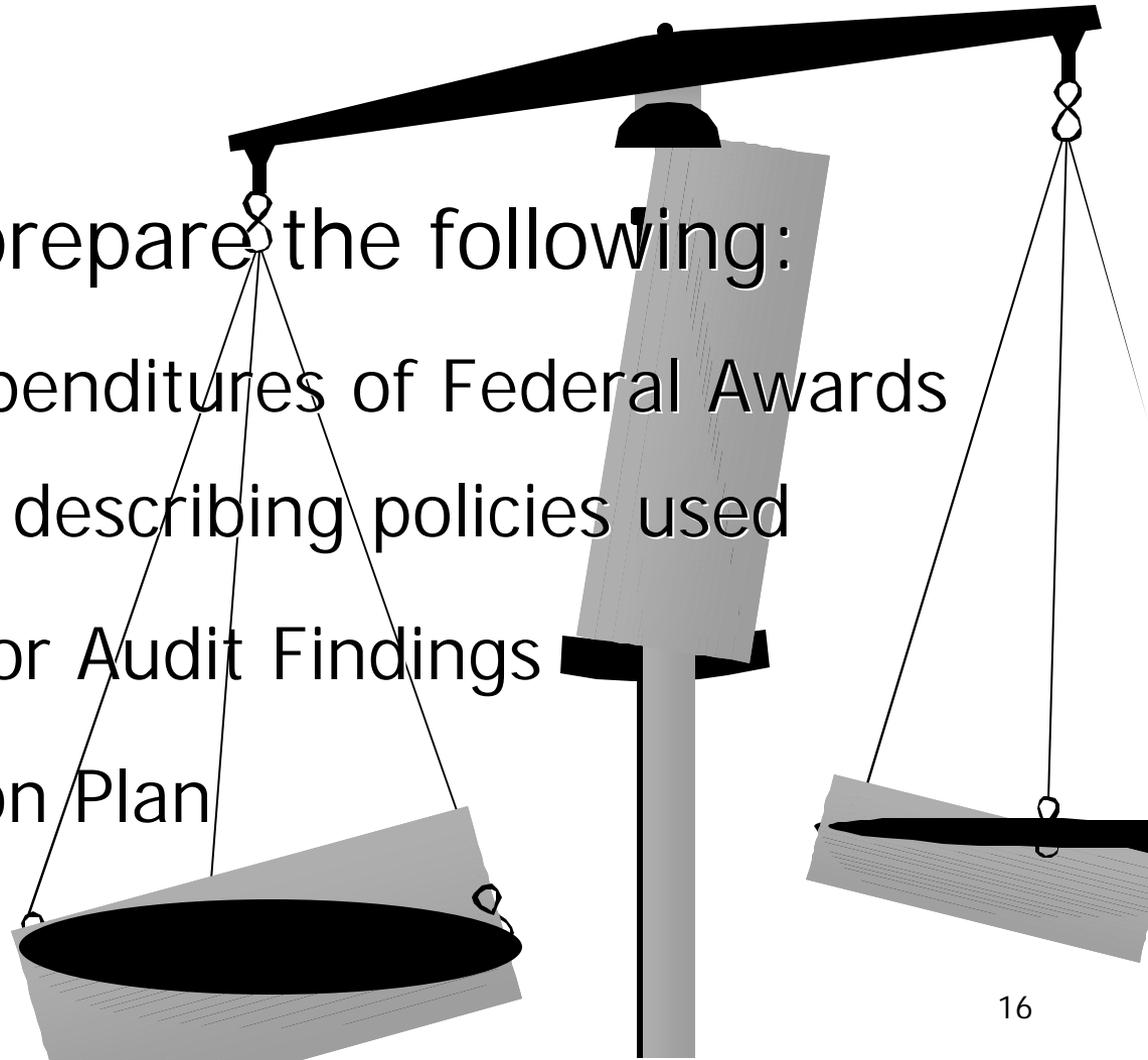
- Provides guidance on:
 - Internal Control
 - Compliance Requirements
 - Audit Procedures
 - Audit Reporting Requirements



When Program-Specific Guides are unavailable

Auditees should prepare the following:

- Schedule of Expenditures of Federal Awards including notes describing policies used
- Schedule of Prior Audit Findings
- Corrective Action Plan



When Program-Specific Guides are unavailable

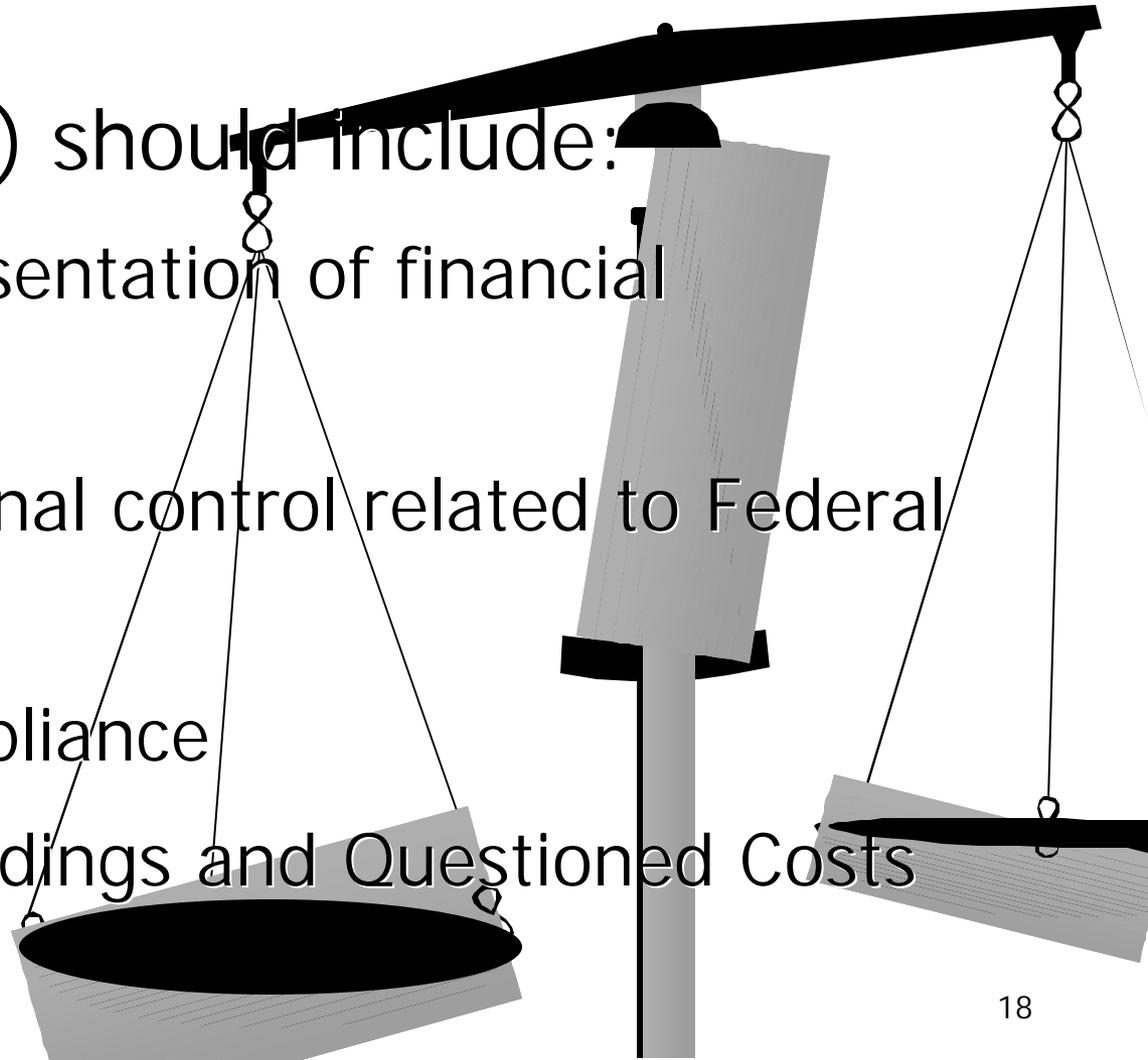
- Auditor's should:
 - Perform audit on financial statements according to GAGAS
 - Obtain an understanding and perform tests of internal control
 - Perform procedures to determine the auditee has complied with laws, regulations, and provisions of contracts
 - Follow-up on prior audit findings



When Program-Specific Guides are Unavailable

Auditor's report(s) should include:

- Opinion on presentation of financial statements
- Report on internal control related to Federal program
- Report on compliance
- Schedule of Findings and Questioned Costs



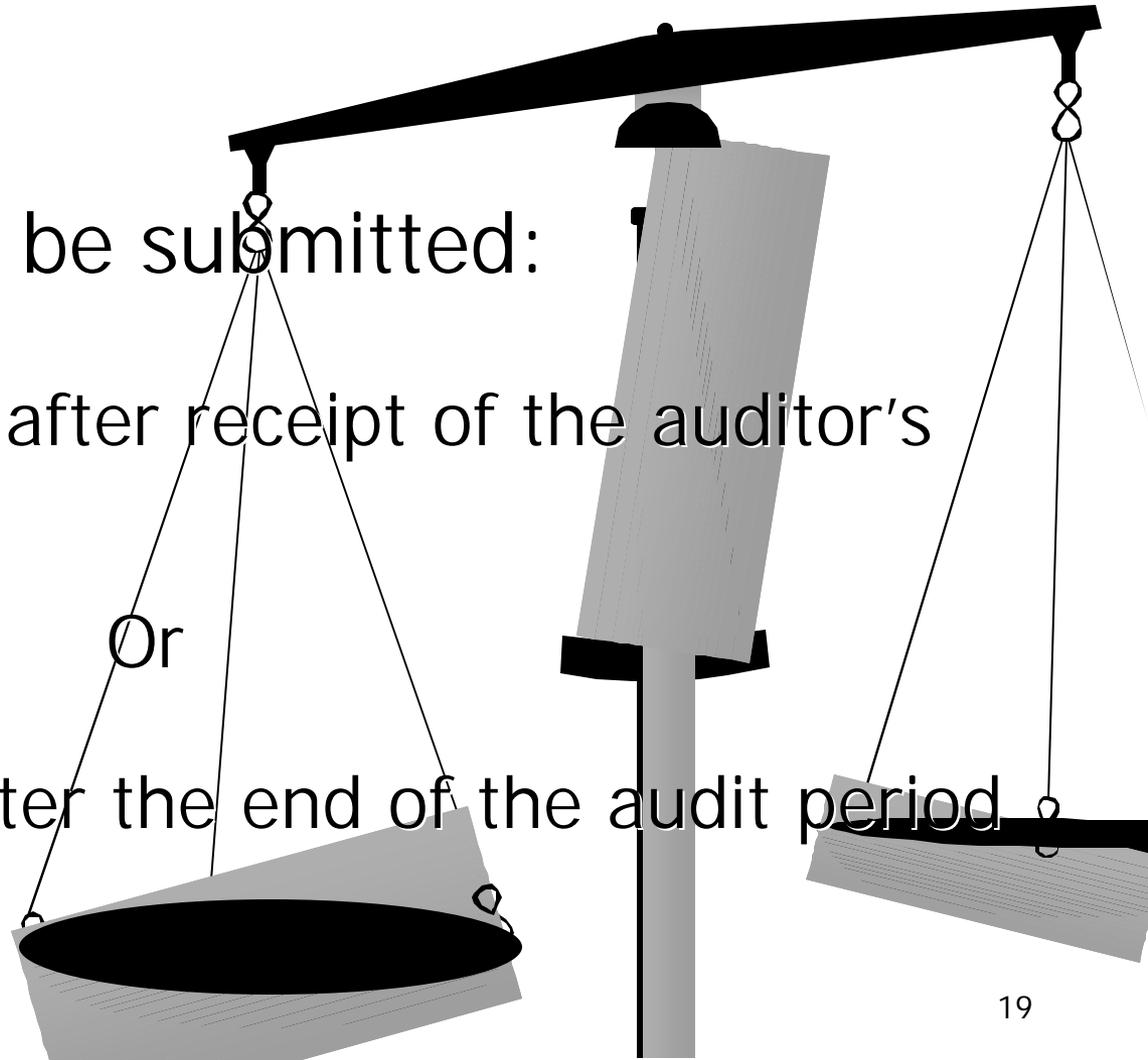
Report Submission for Program-Specific Audits

All reports should be submitted:

- Within 30 days after receipt of the auditor's report(s)

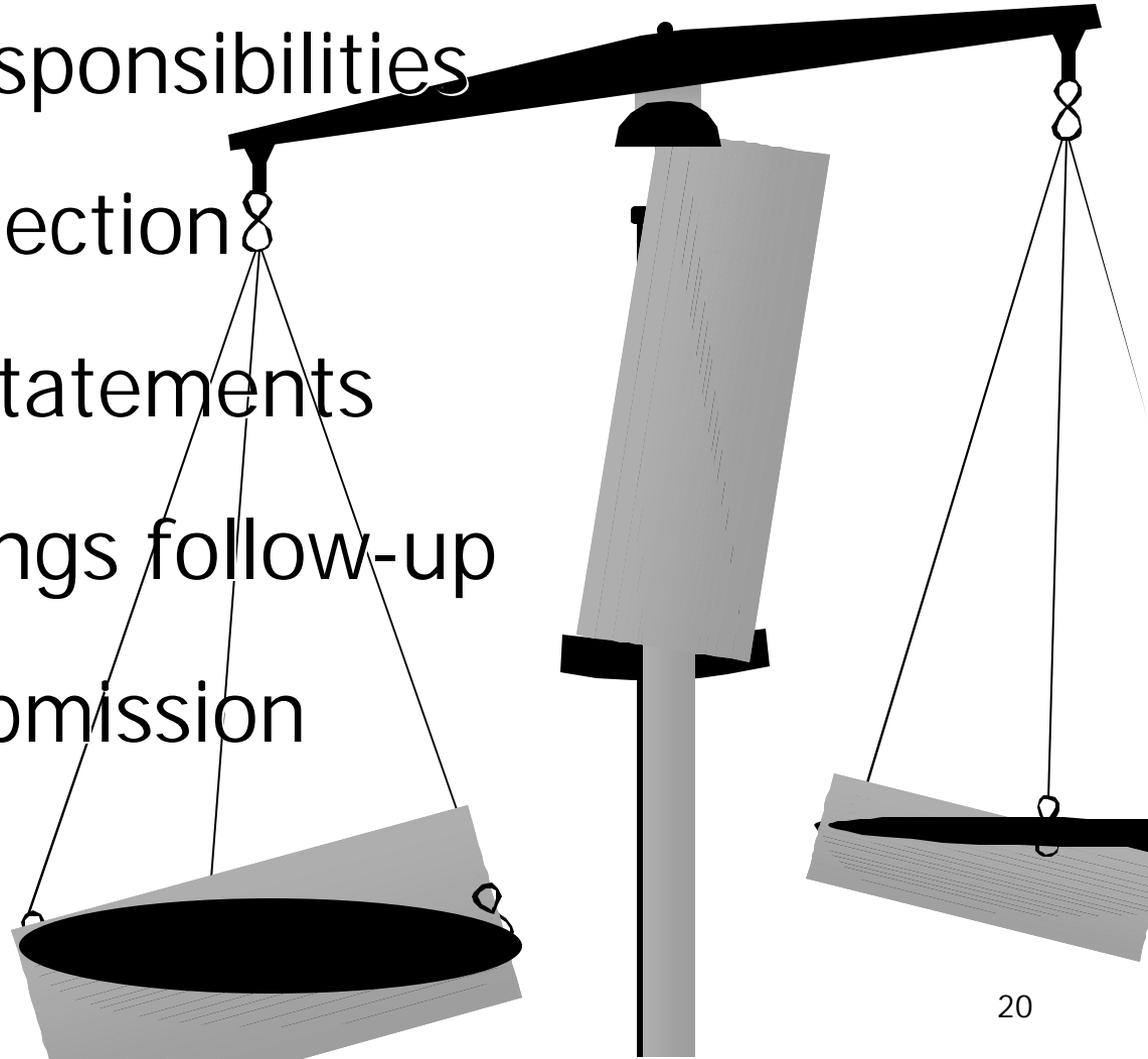
Or

- Nine months after the end of the audit period



Subpart C - Auditees

- .300 Auditee responsibilities
- .305 Auditor selection
- .310 Financial statements
- .315 Audit findings follow-up
- .320 Report Submission



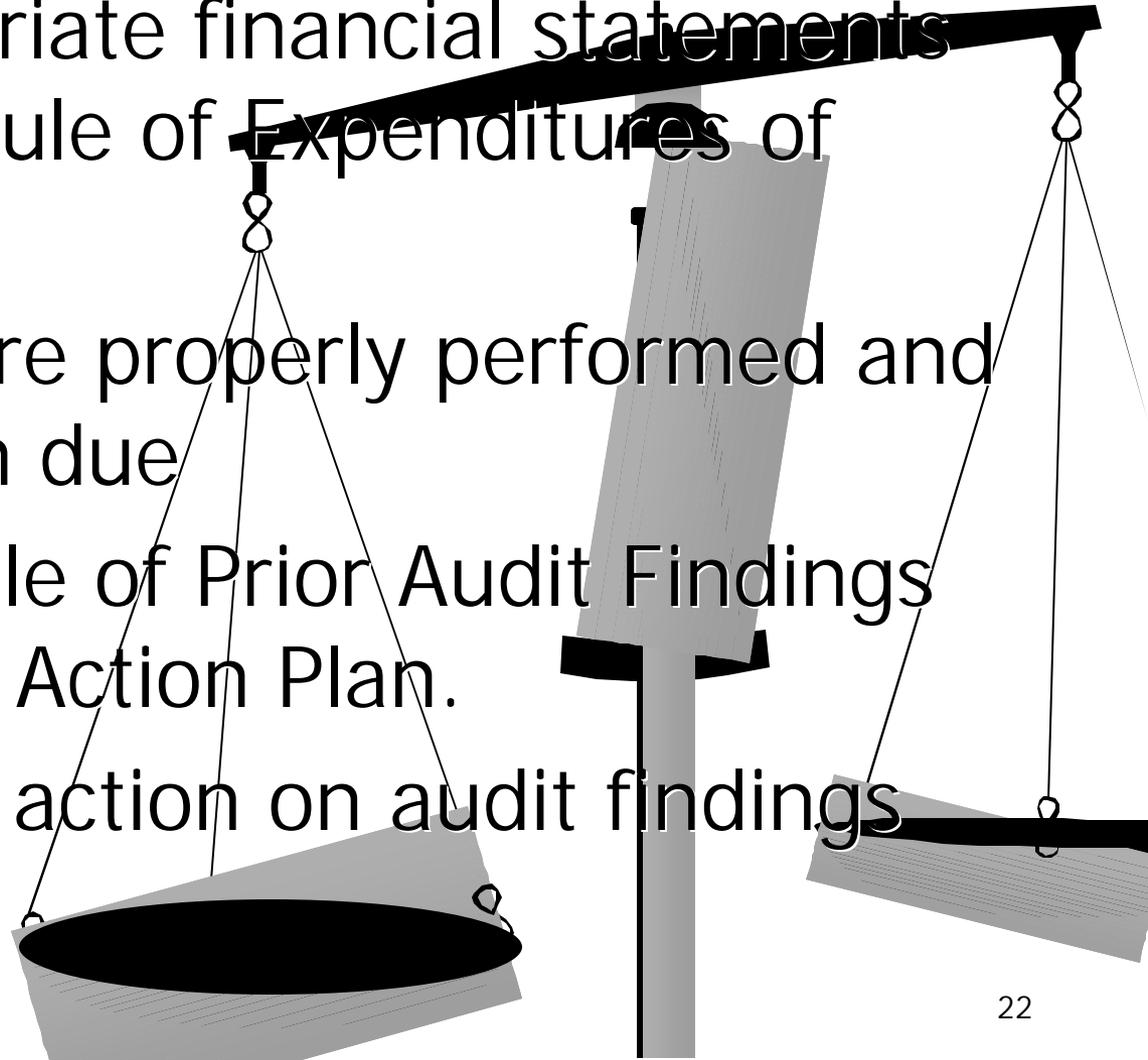
Auditee Responsibilities

- Identify all Federal awards received and expended
- Maintain internal control over Federal Programs
- Comply with laws, regulations, and provisions of contracts or grant agreements



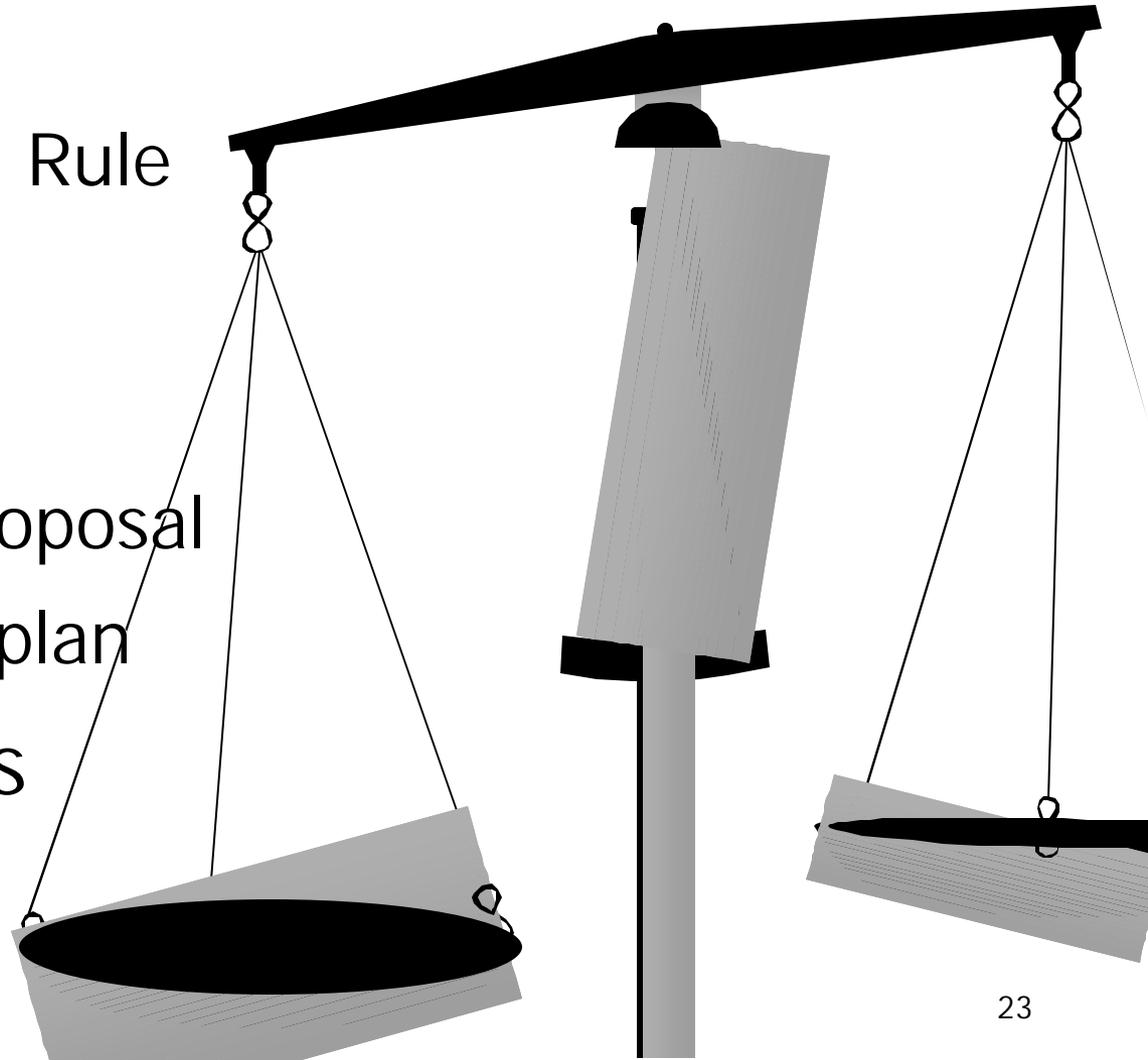
Auditee Responsibilities

- Prepare Appropriate financial statements including Schedule of Expenditures of Federal Awards
- Ensure audits are properly performed and submitted when due
- Prepare Schedule of Prior Audit Findings and Correction Action Plan.
- Take corrective action on audit findings



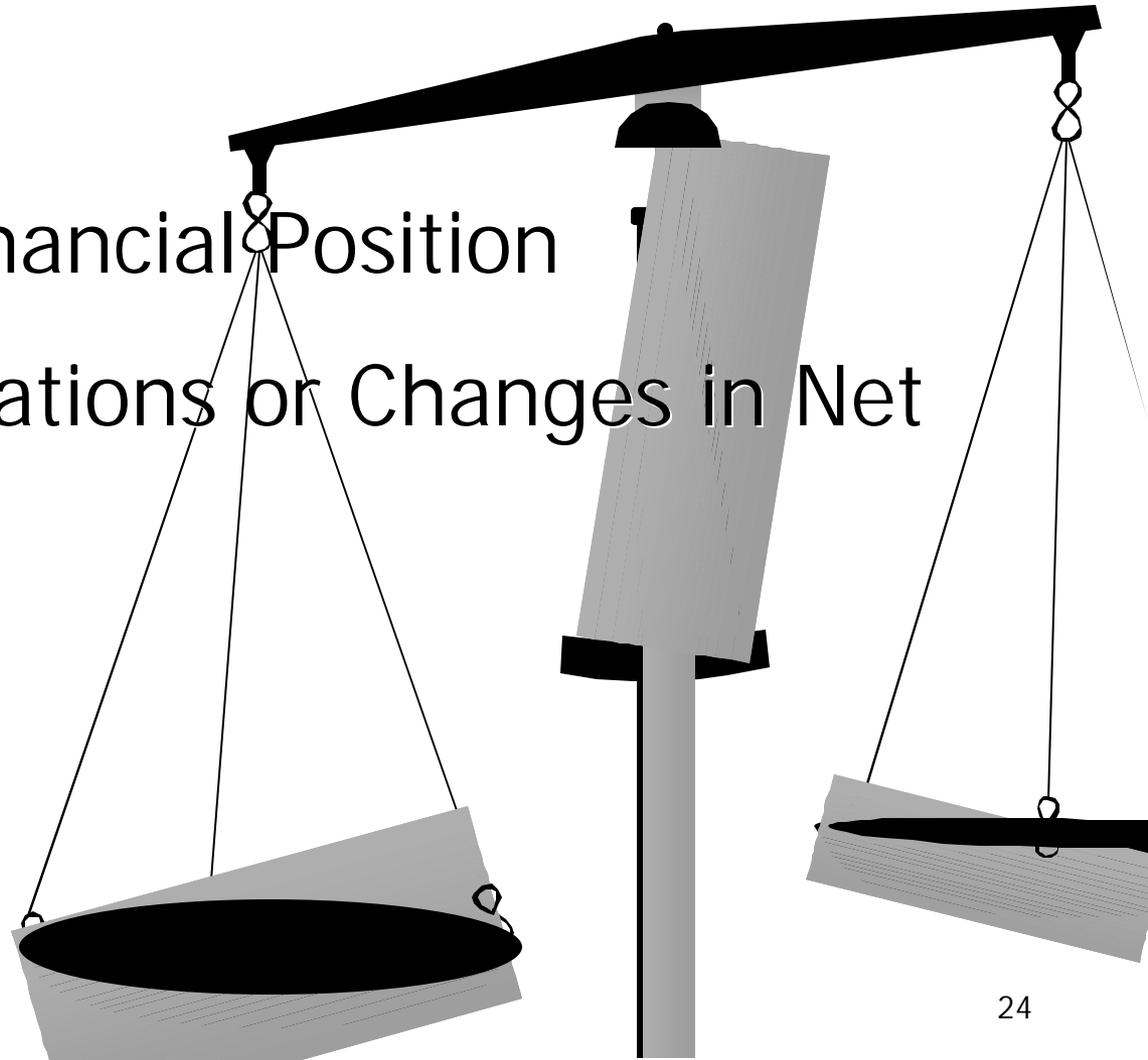
Auditor Selection

- Procurement
 - A-102 Common Rule
 - Circular A-110
- Restrictions
 - Indirect cost proposal
 - Cost allocation plan
- Federal Auditors



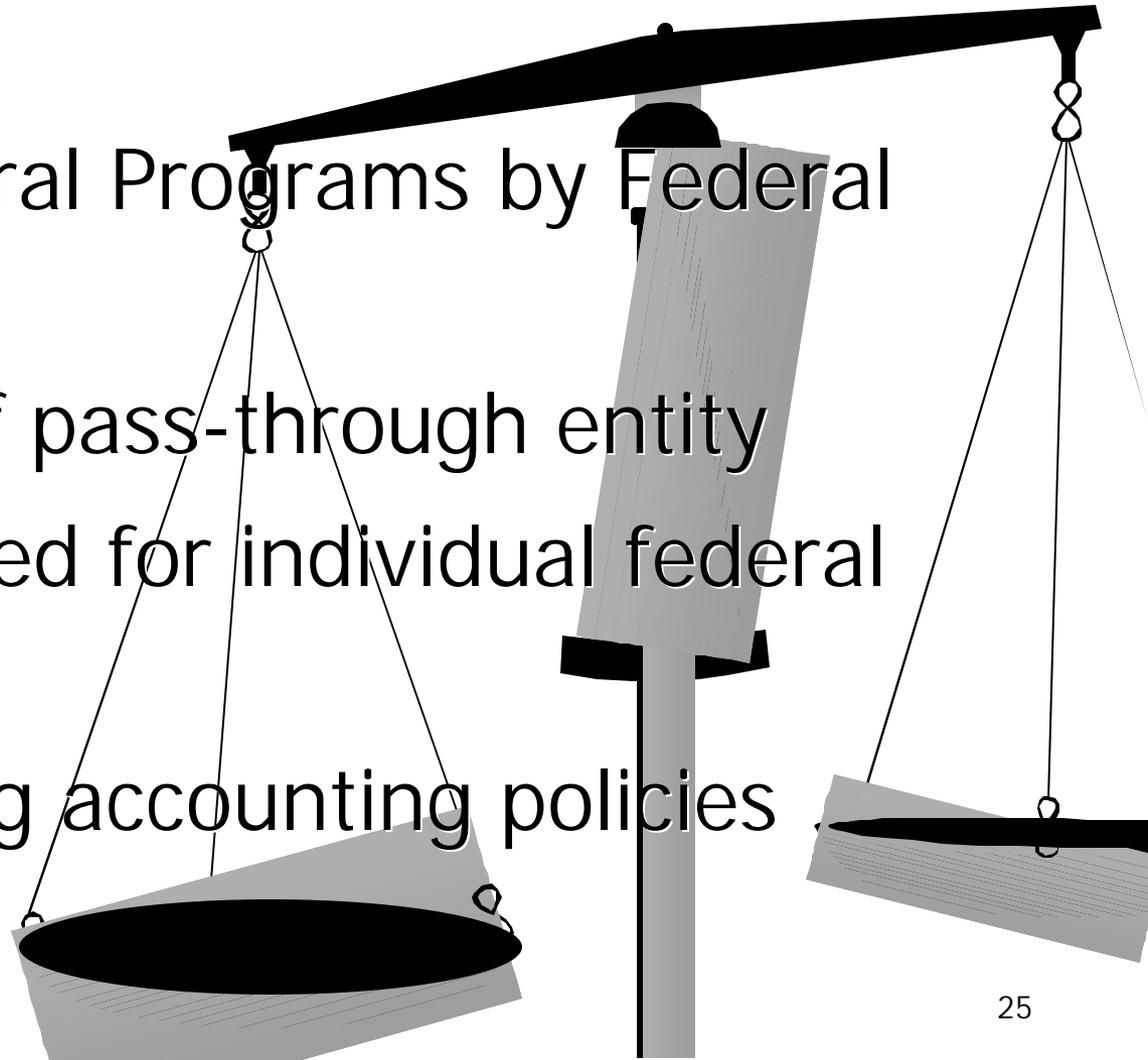
Financial Statements

- Reflection of Financial Position
- Results of Operations or Changes in Net assets
- Cash Flows



Schedule of Expenditures of Federal Awards

- Individual Federal Programs by Federal Agency
- Identification of pass-through entity
- Awards expended for individual federal programs
- Notes describing accounting policies



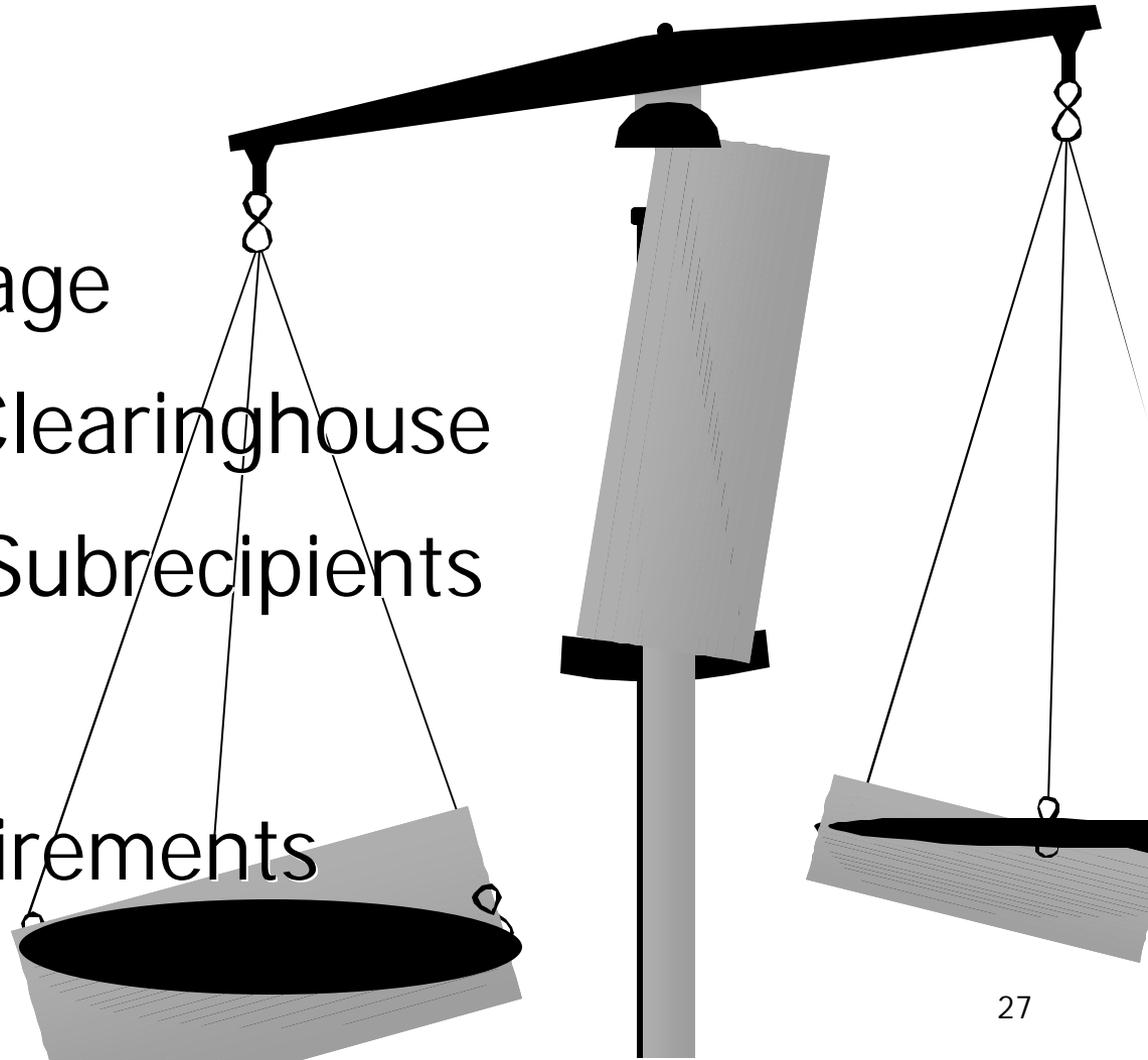
Audit Findings Follow-up

- Schedule of Prior Audit Findings
- Corrective Action Plan



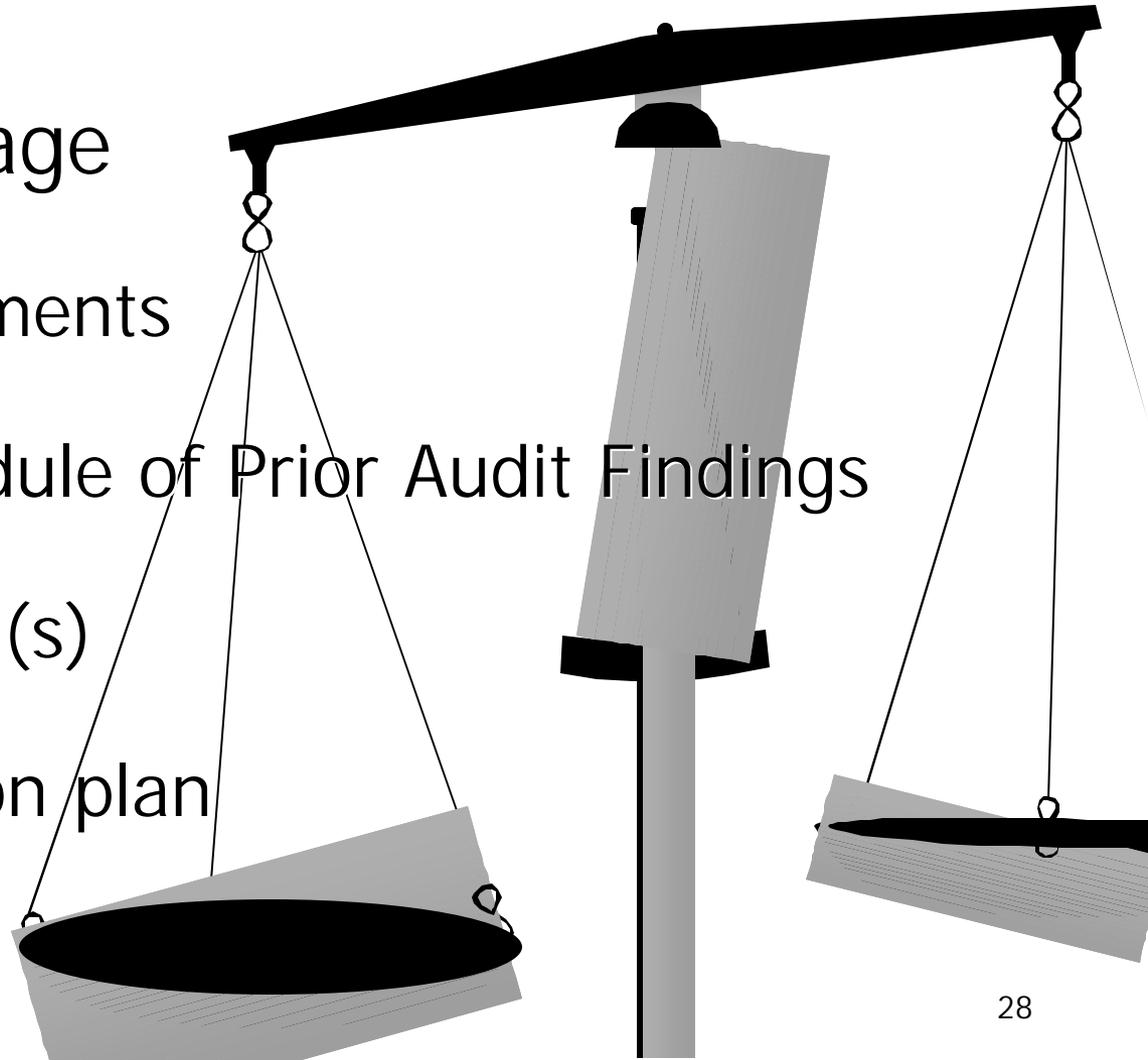
Report Submission

- Data Collection
- Reporting Package
- Submission to Clearinghouse
- Submission by Subrecipients
- Report Copies
- Retention Requirements



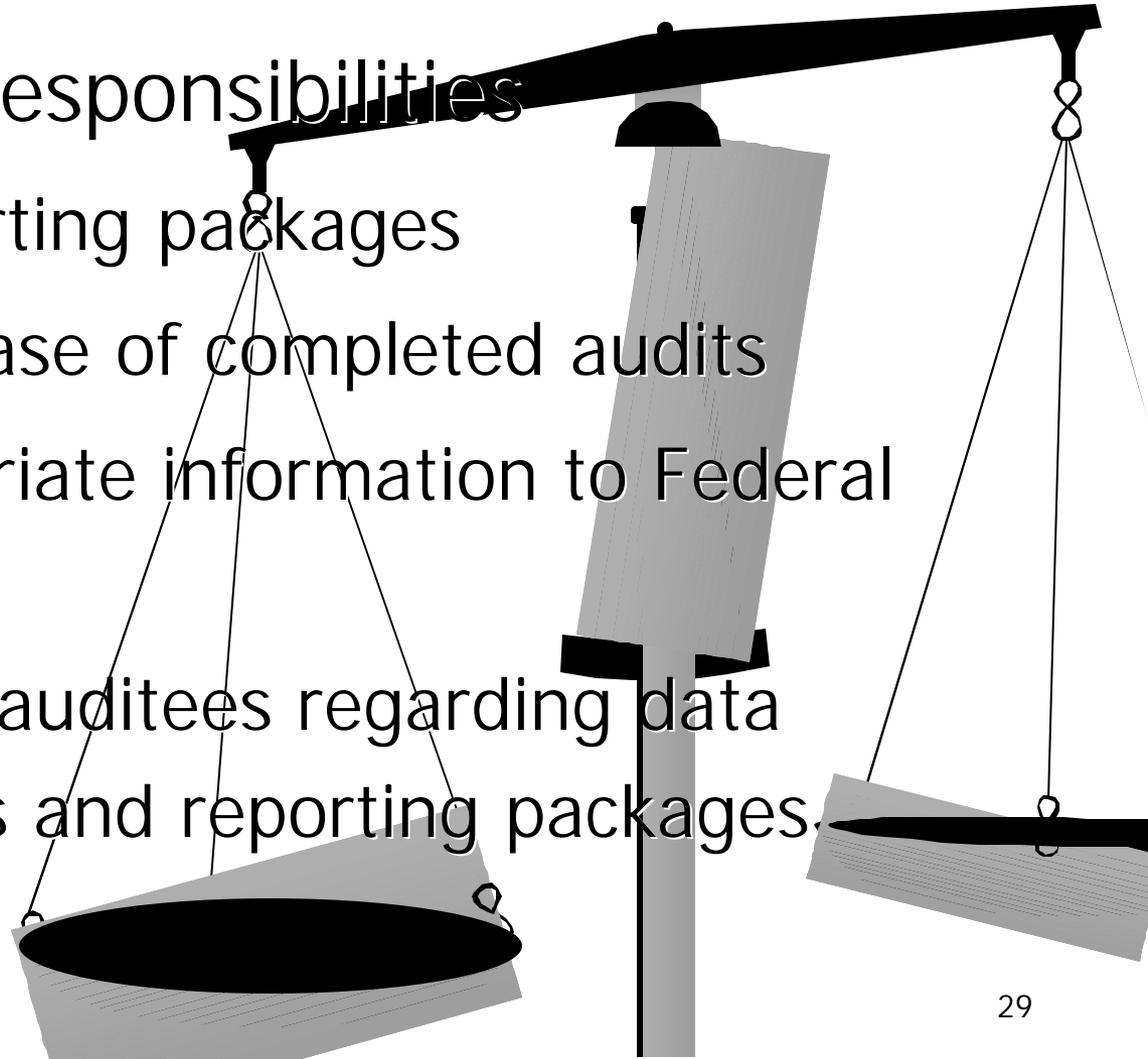
Report Submission

- Reporting Package
 - Financial Statements
 - Summary schedule of Prior Audit Findings
 - Auditor's report(s)
 - Corrective Action plan



Report Submission

- Clearinghouse responsibilities
 - Distribute reporting packages
 - Maintain database of completed audits
 - Provide appropriate information to Federal agencies
 - Follow-up with auditees regarding data collection forms and reporting packages.

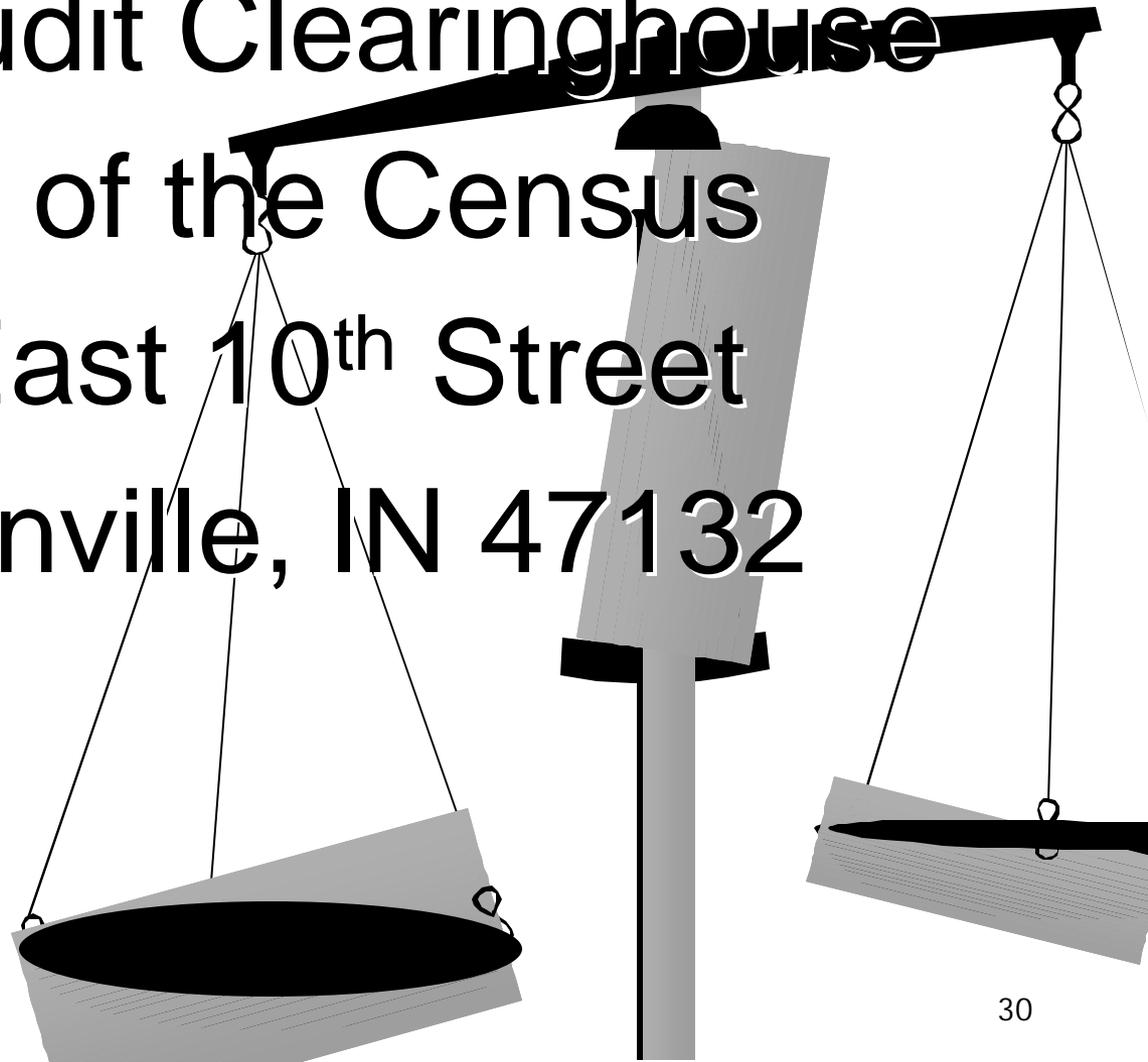


Federal Audit Clearinghouse

Bureau of the Census

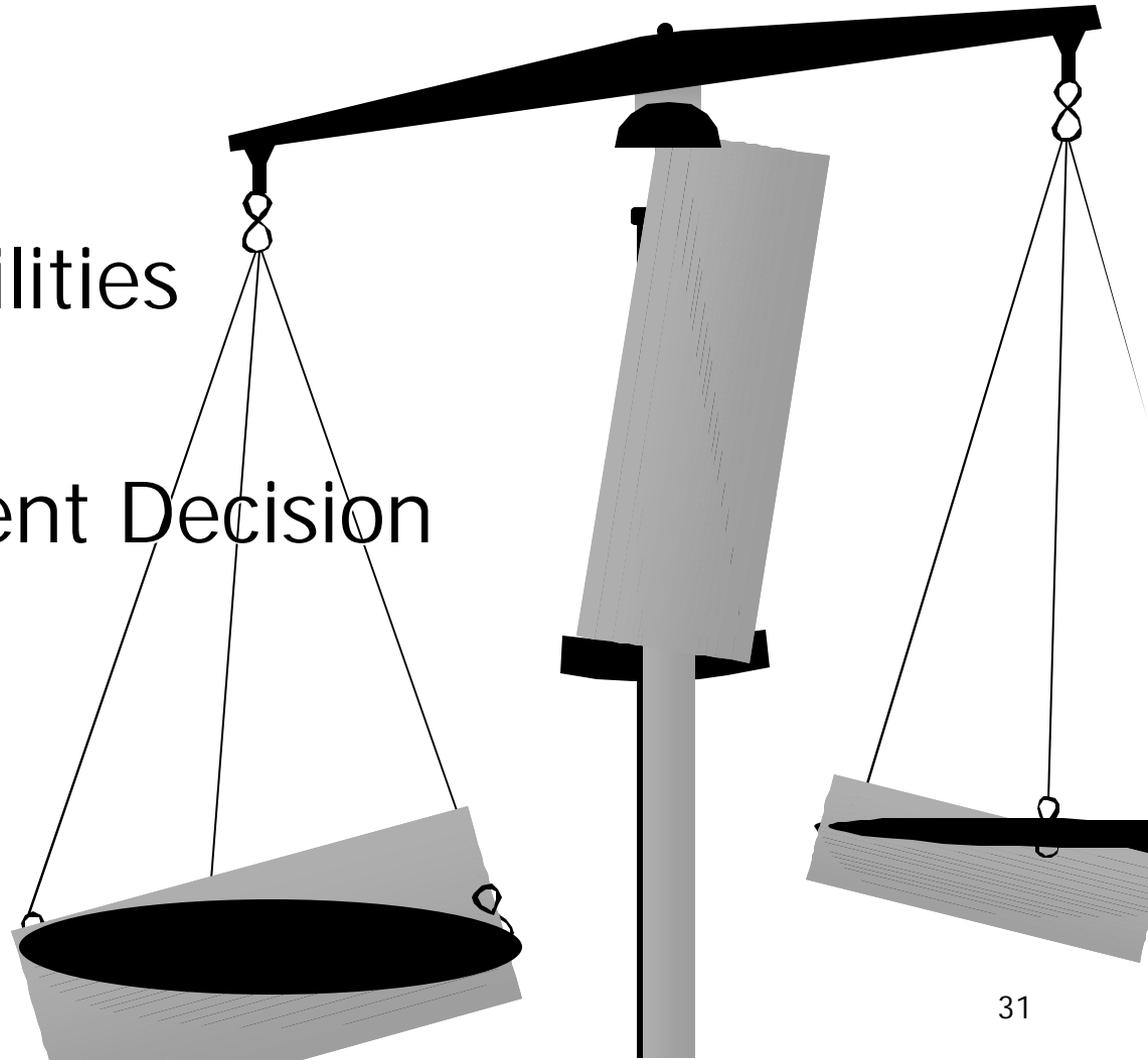
1201 East 10th Street

Jeffersonville, IN 47132



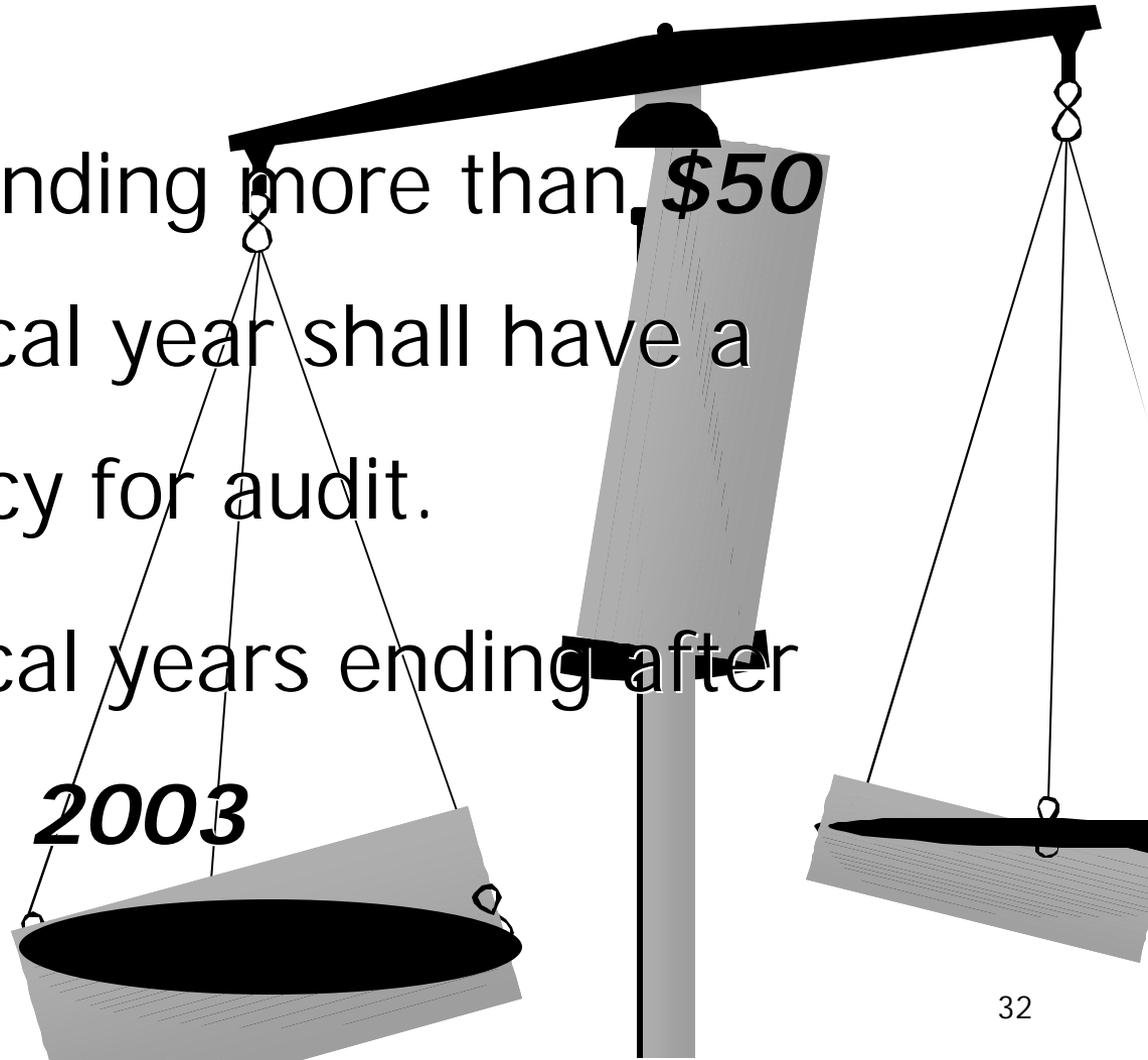
Subpart D – Federal Agencies and Pass-through Entities

- .400 Responsibilities
- .405 Management Decision



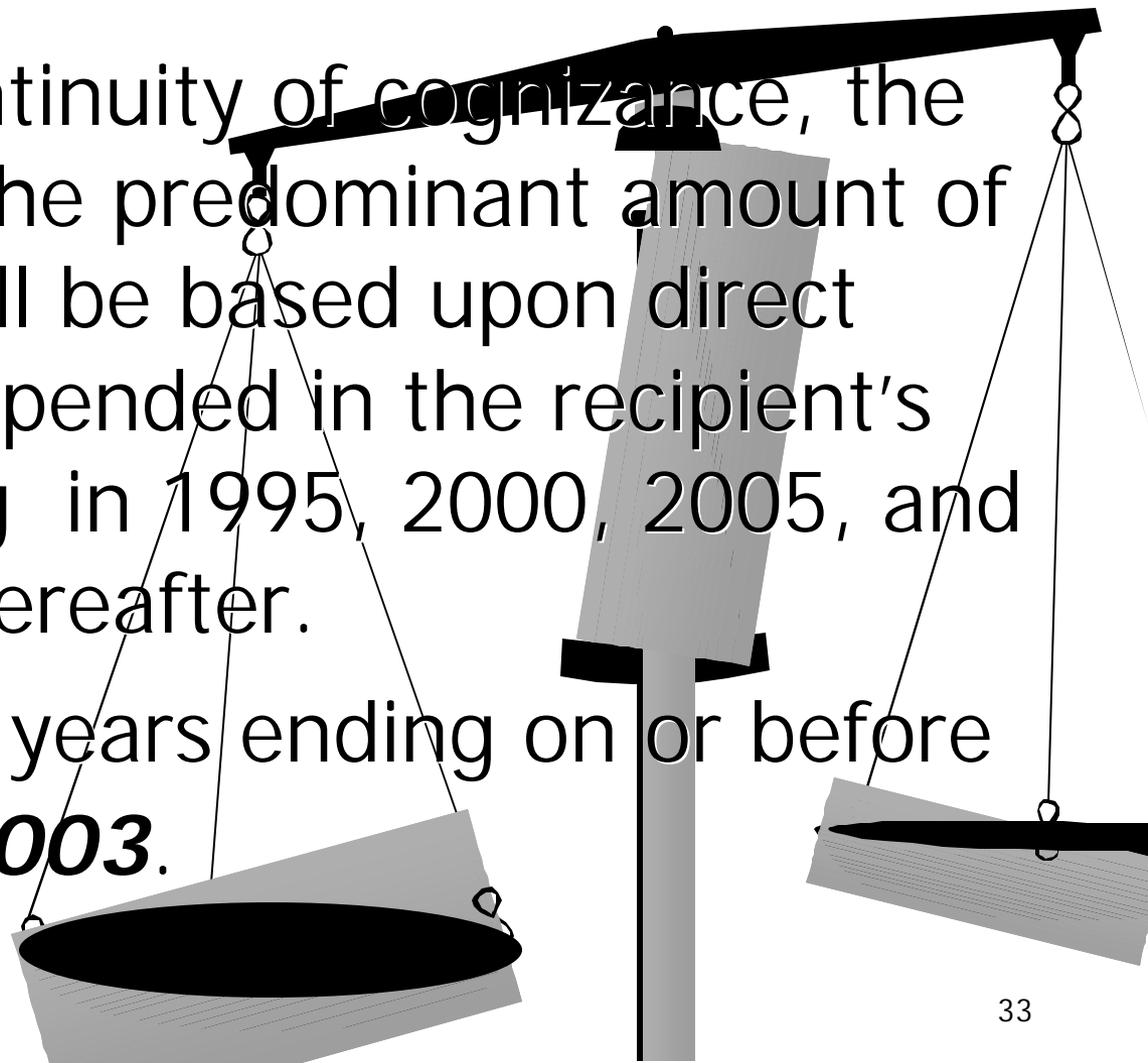
Cognizant Agency for Audit Responsibilities

- Recipients expending more than **\$50 million** in a fiscal year shall have a cognizant agency for audit.
- Effective for fiscal years ending after **December 31, 2003**



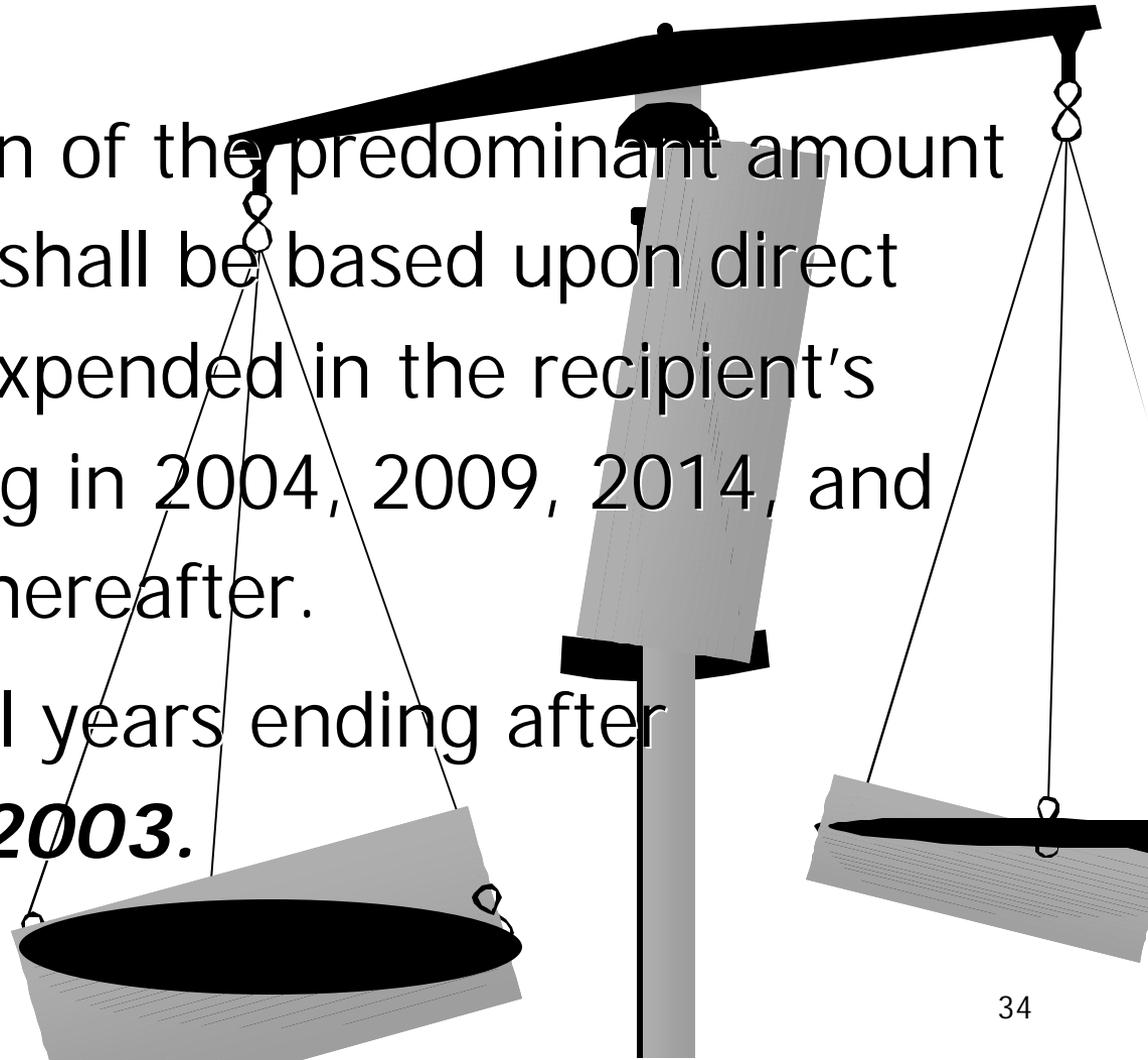
Cognizant Agency for Audit Responsibilities

- To provide for continuity of cognizance, the determination of the predominant amount of direct funding shall be based upon direct Federal awards expended in the recipient's fiscal years ending in 1995, 2000, 2005, and every fifth year thereafter.
- Effective for fiscal years ending on or before ***December 31, 2003.***



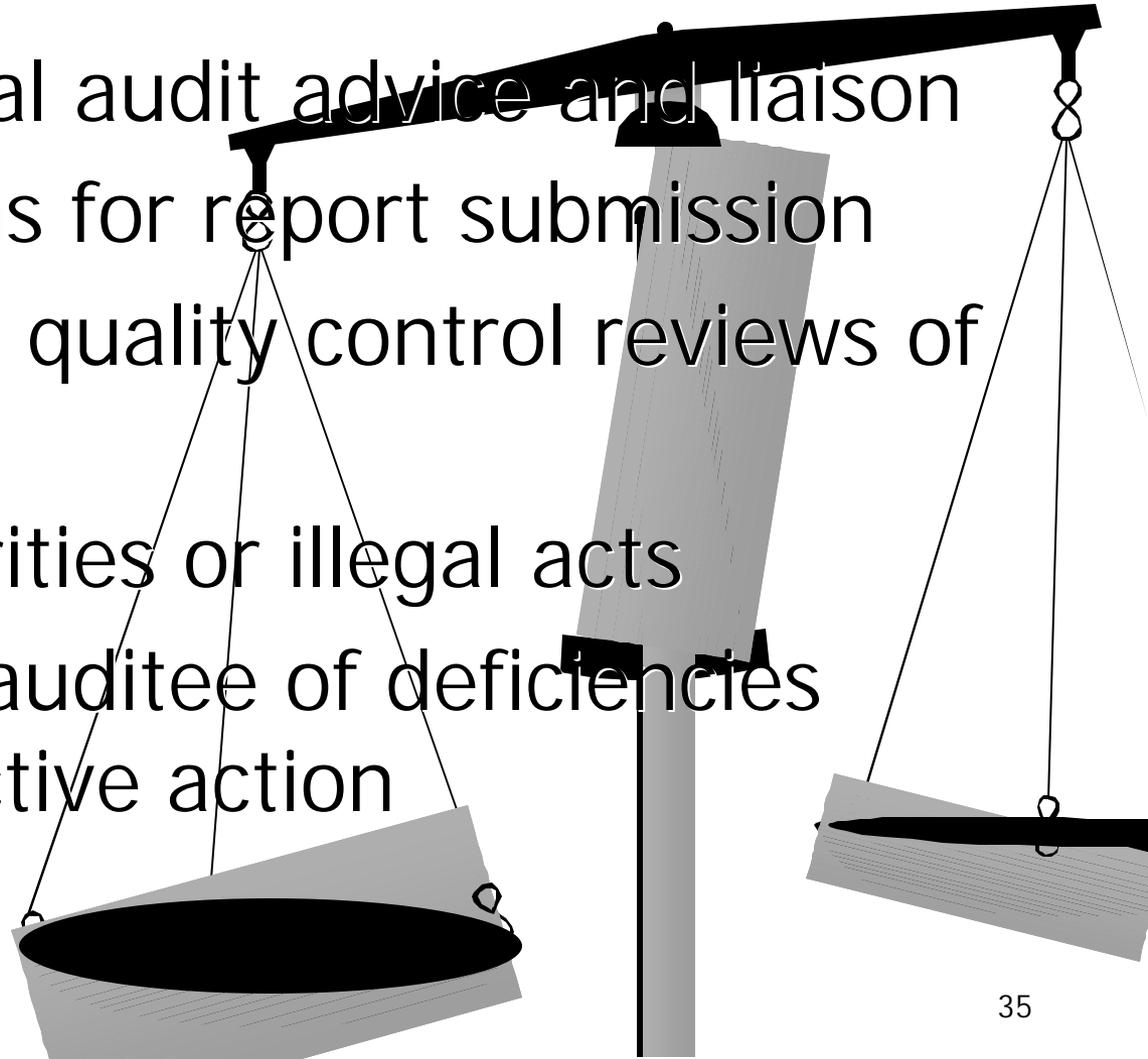
Cognizant Agency for Audit Responsibilities

- The determination of the predominant amount of direct funding shall be based upon direct Federal awards expended in the recipient's fiscal years ending in 2004, 2009, 2014, and every fifth year thereafter.
- Effective for fiscal years ending after ***December 31, 2003.***



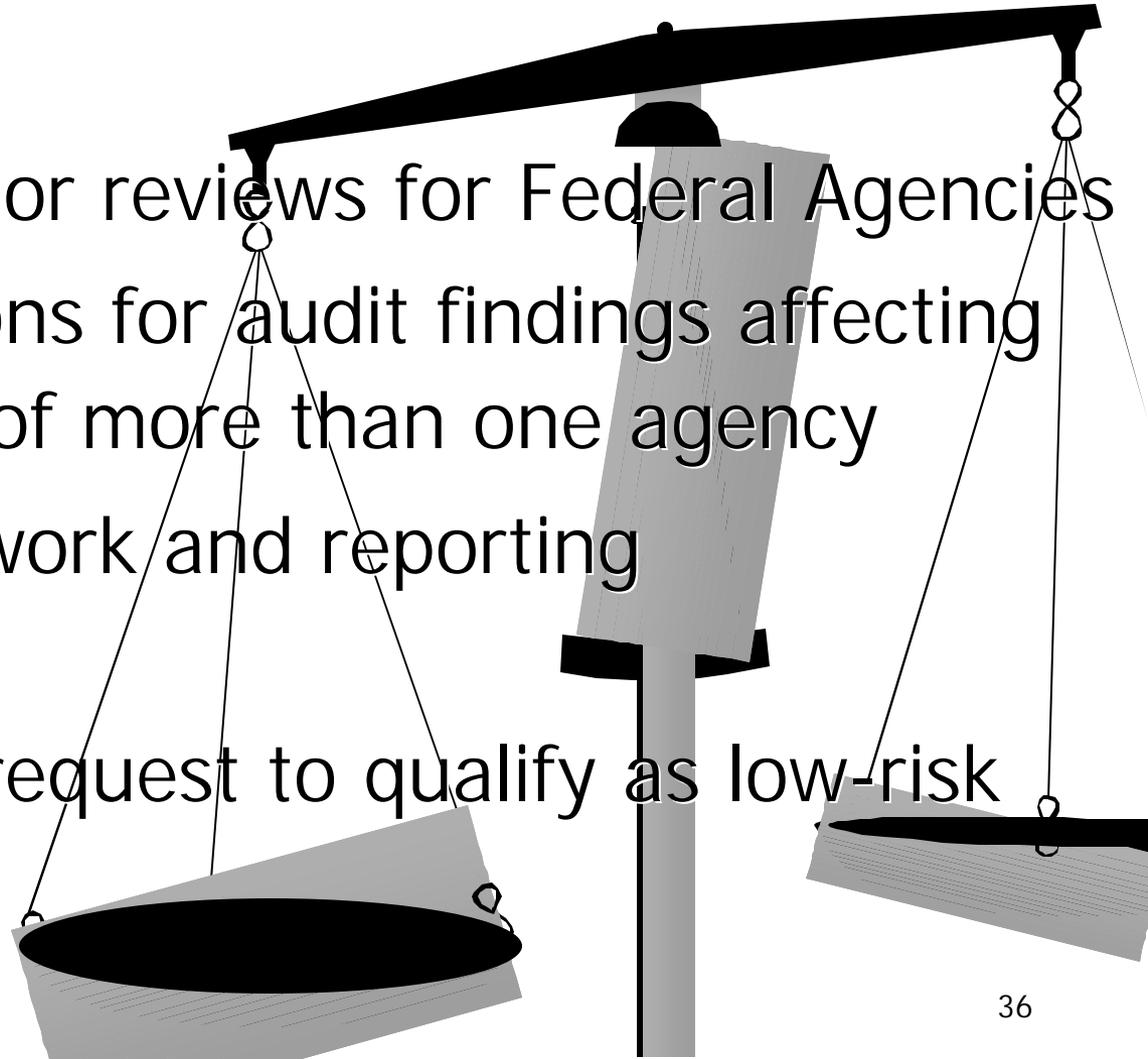
Cognizant Agency Responsibilities

- Provide technical audit advice and liaison
- Grant extensions for report submission
- Obtain/Conduct quality control reviews of selected audits
- Report irregularities or illegal acts
- Advise auditor/auditee of deficiencies requiring corrective action



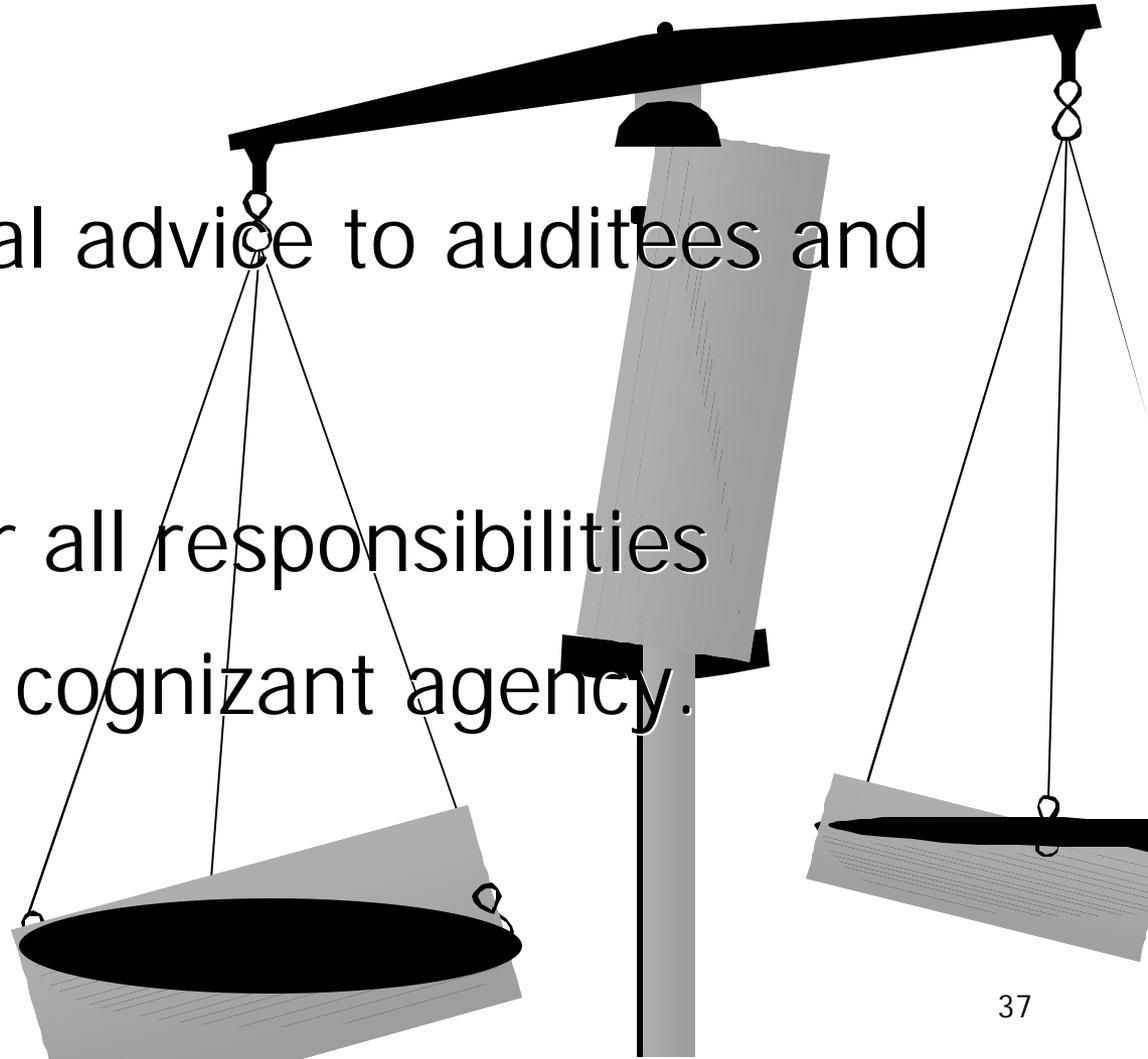
Cognizant Agency Responsibilities

- Coordinate audits or reviews for Federal Agencies
- Coordinate decisions for audit findings affecting federal programs of more than one agency
- Coordinate audit work and reporting responsibilities
- Consider auditee request to qualify as low-risk



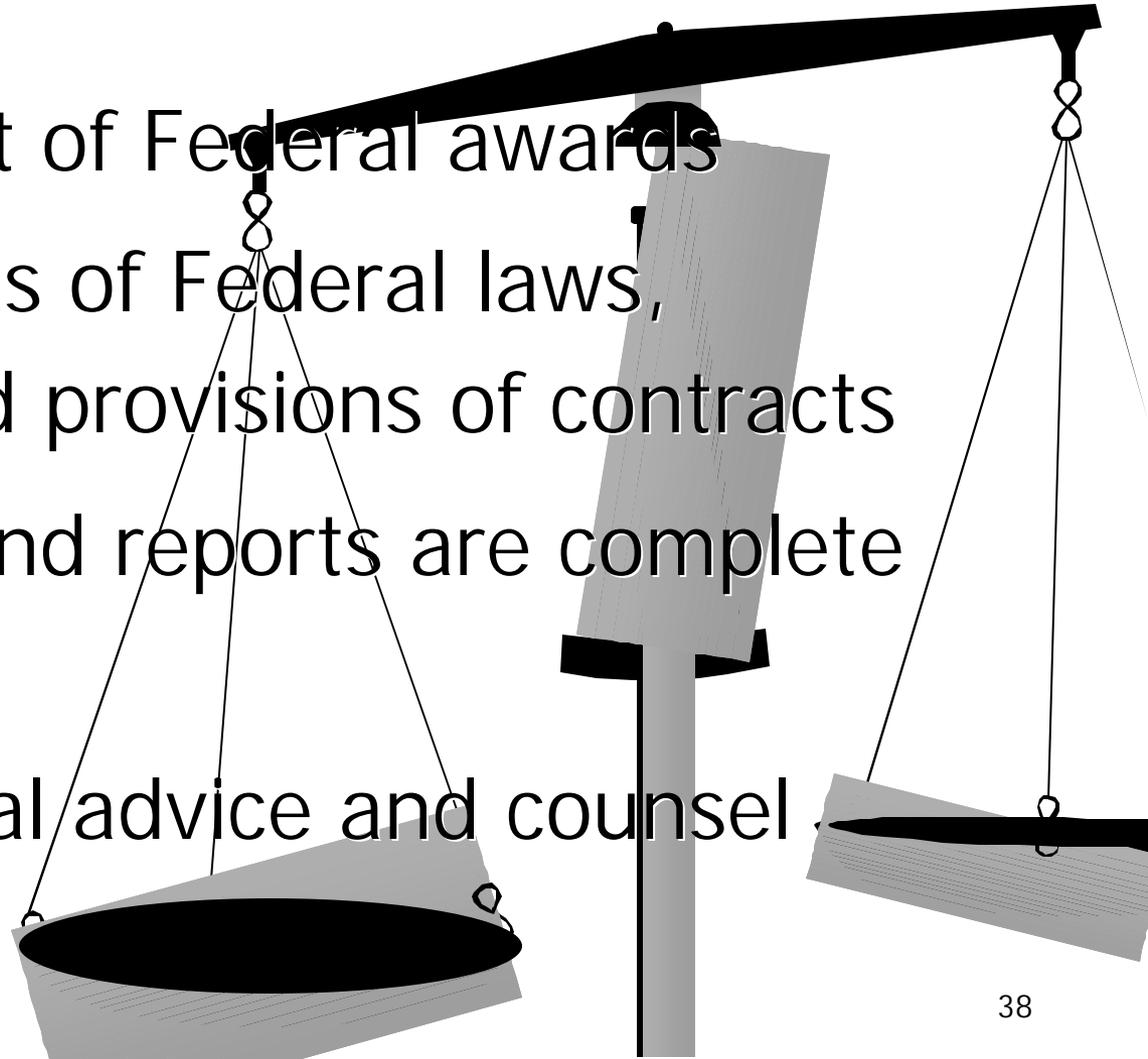
Oversight Agency Responsibilities

- Provide technical advice to auditees and auditors
- Assume most or all responsibilities performed by a cognizant agency.



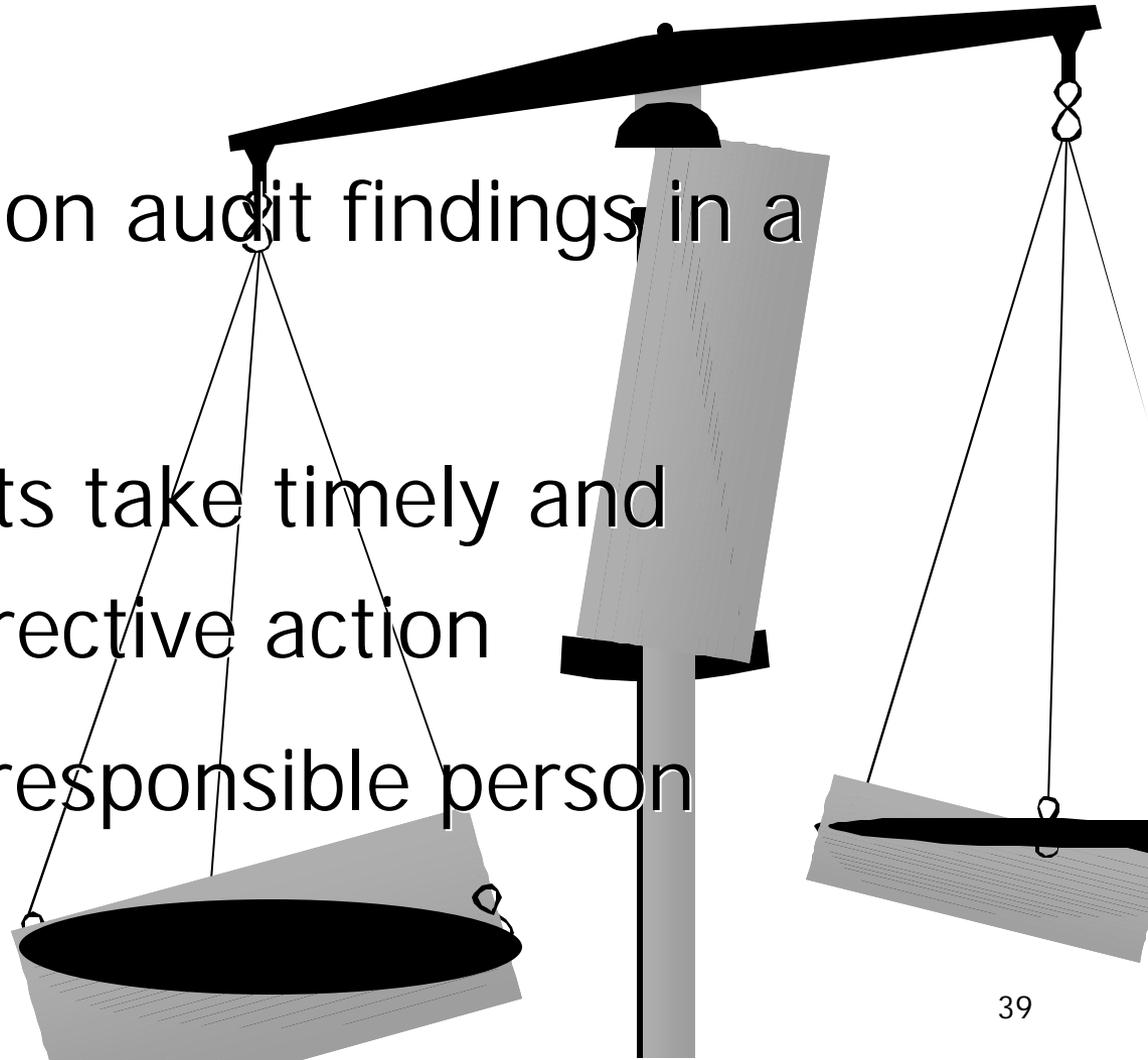
Federal Agency Responsibilities

- Inform recipient of Federal awards
- Advise recipients of Federal laws, regulations, and provisions of contracts
- Ensure audits and reports are complete and received
- Provide technical advice and counsel



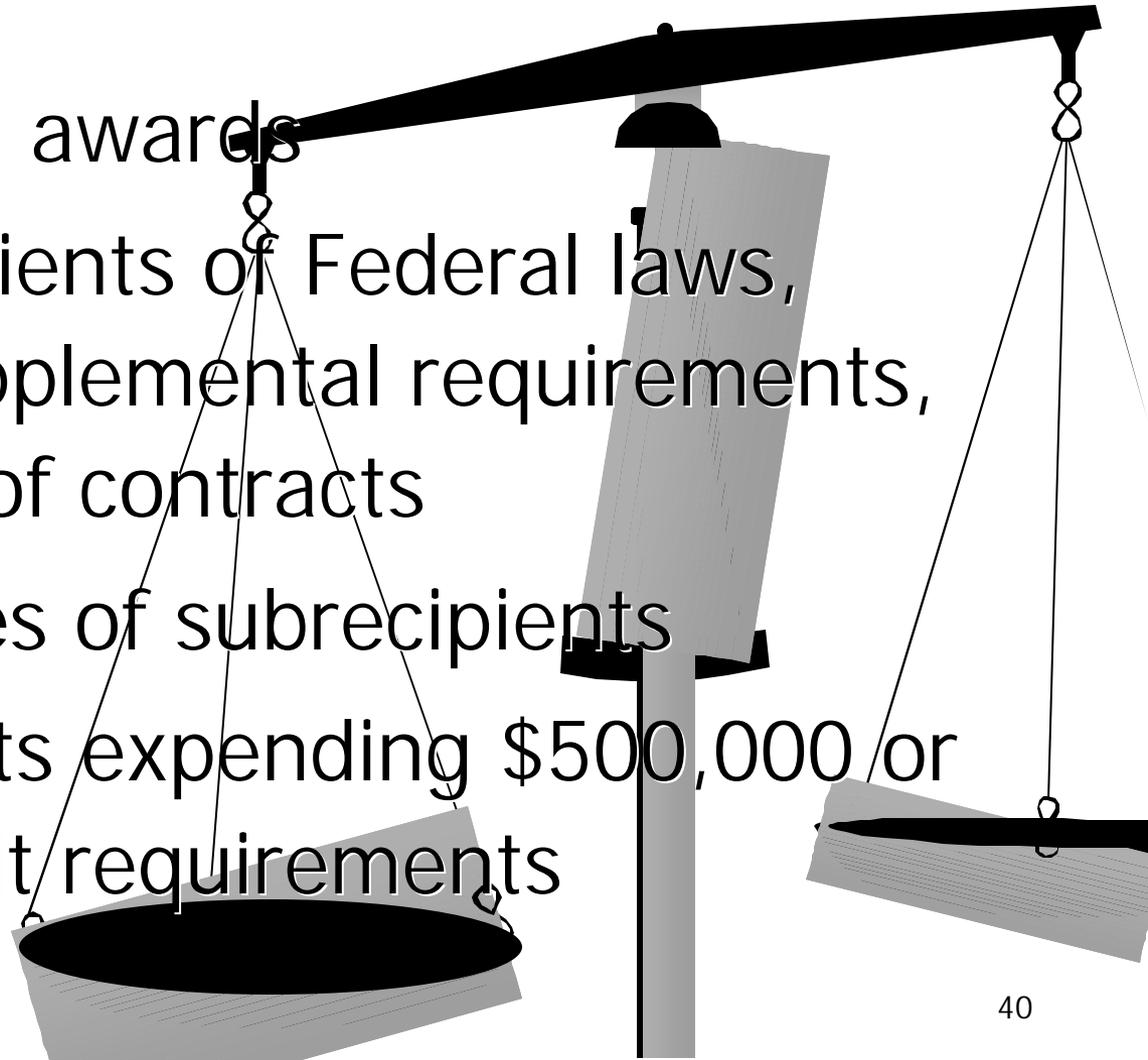
Federal Agency Responsibilities

- Make decisions on audit findings in a timely manner
- Ensure recipients take timely and appropriate corrective action
- Assign OMB to responsible person



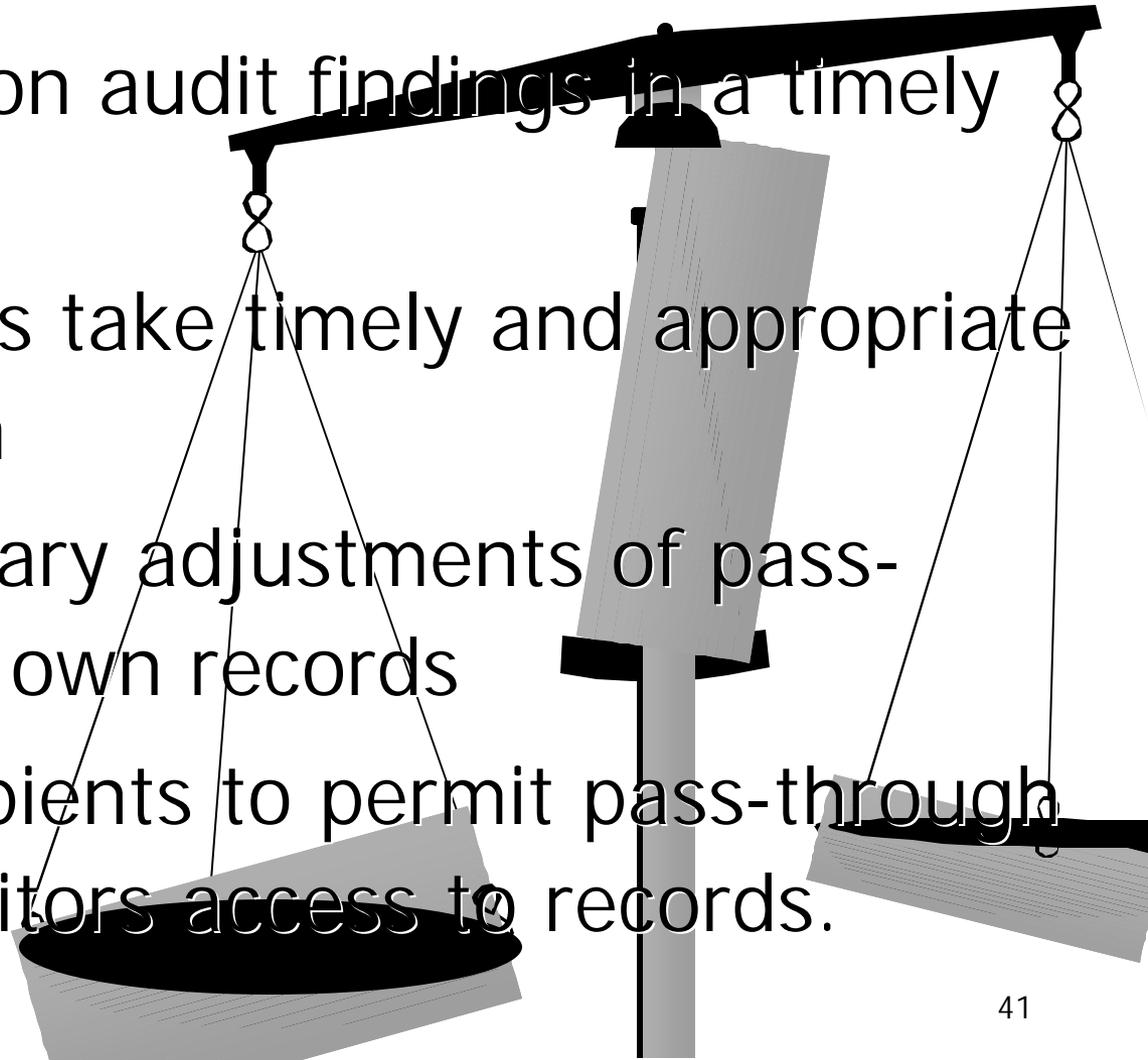
Pass-Through Entity Responsibilities

- Identify Federal awards
- Advise subrecipients of Federal laws, regulations, supplemental requirements, and provisions of contracts
- Monitor activities of subrecipients
- Ensure recipients expending \$500,000 or more meet audit requirements



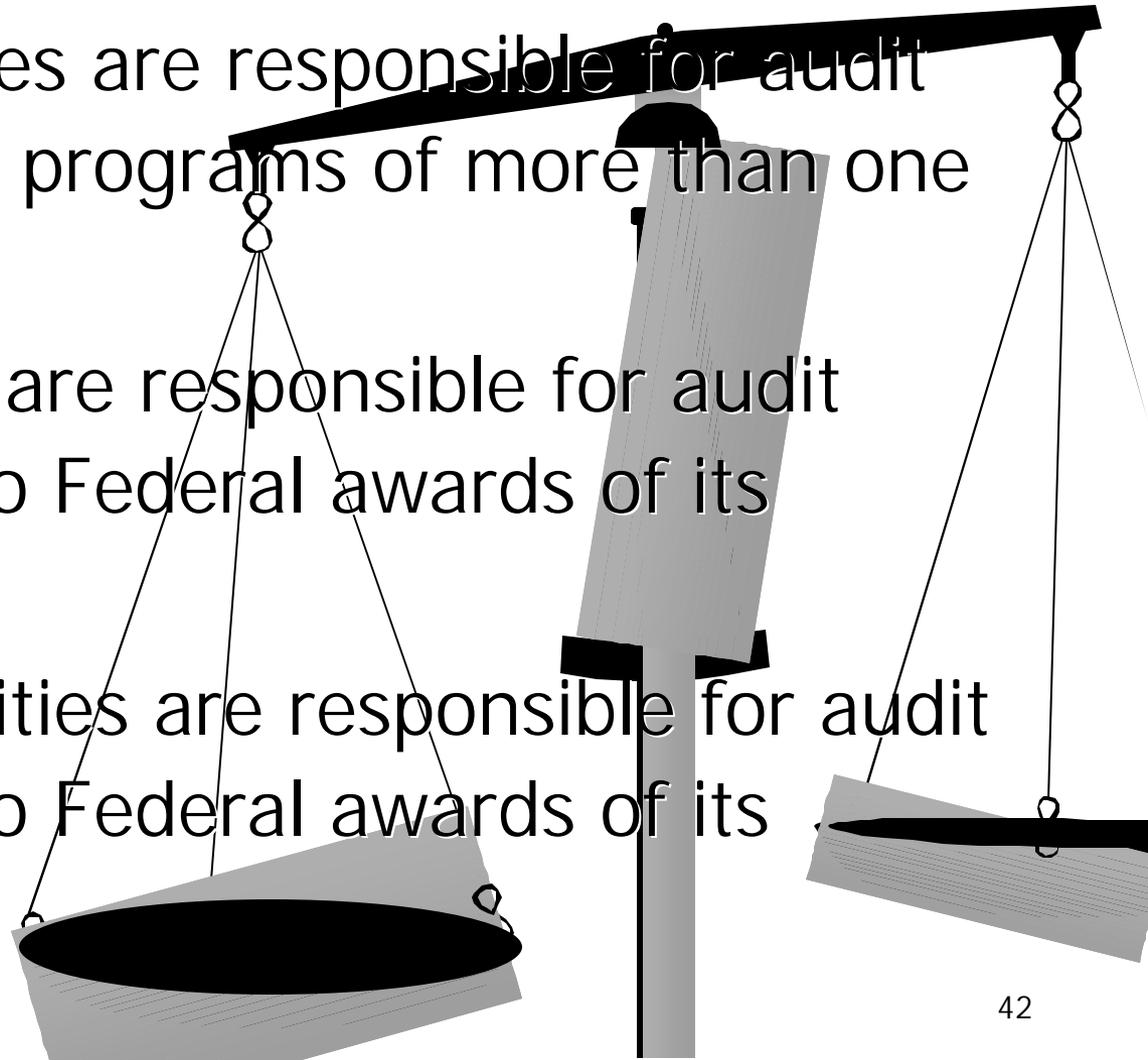
Pass-Through Entity Responsibilities

- Make decisions on audit findings in a timely manner
- Ensure recipients take timely and appropriate corrective action
- Consider necessary adjustments of pass-through entities own records
- Require subrecipients to permit pass-through entities and auditors access to records.



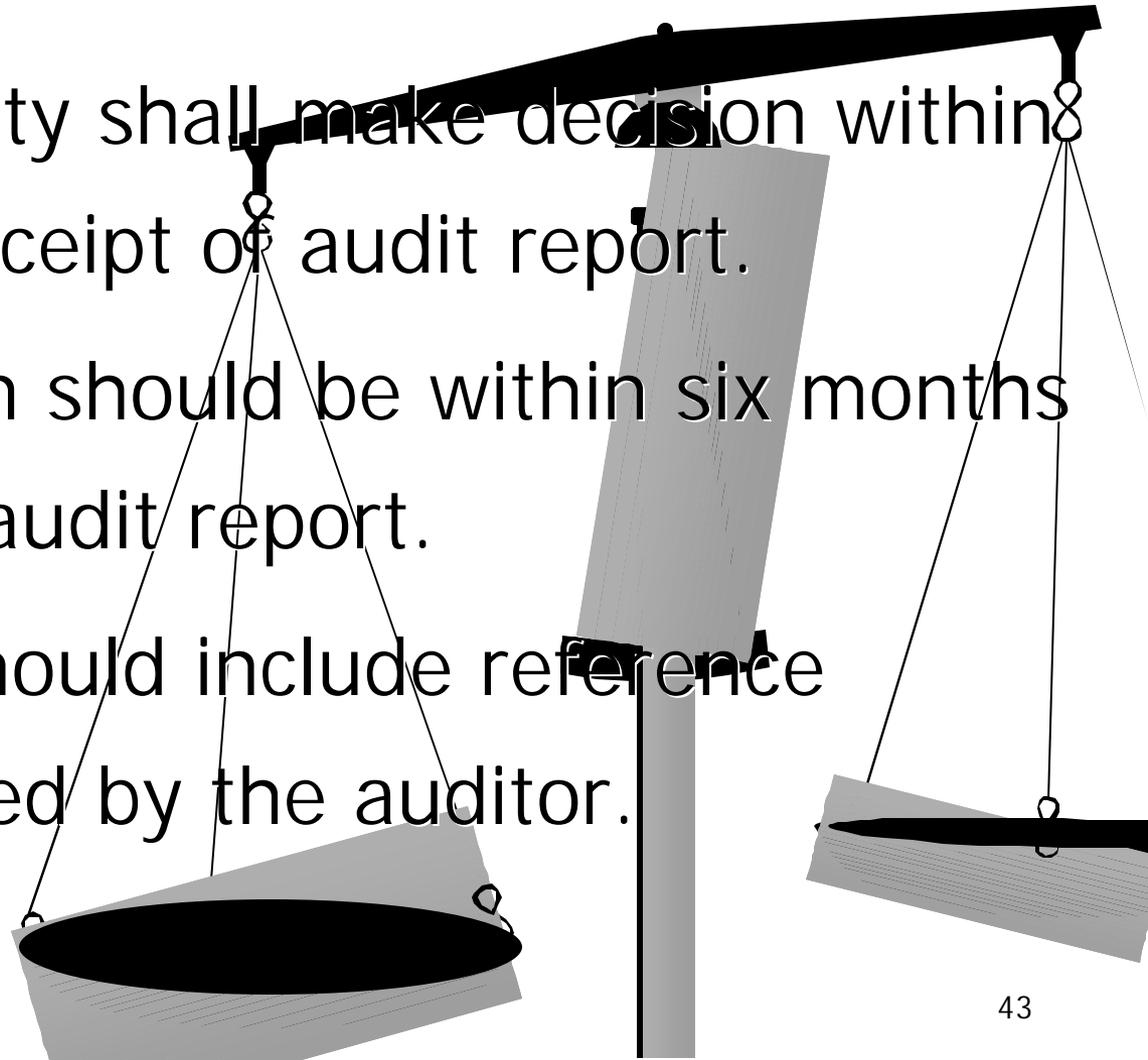
Management Decision

- Cognizant agencies are responsible for audit findings affecting programs of more than one Federal agencies.
- Federal agencies are responsible for audit findings related to Federal awards of its recipients.
- Pass-through entities are responsible for audit findings related to Federal awards of its subrecipients.



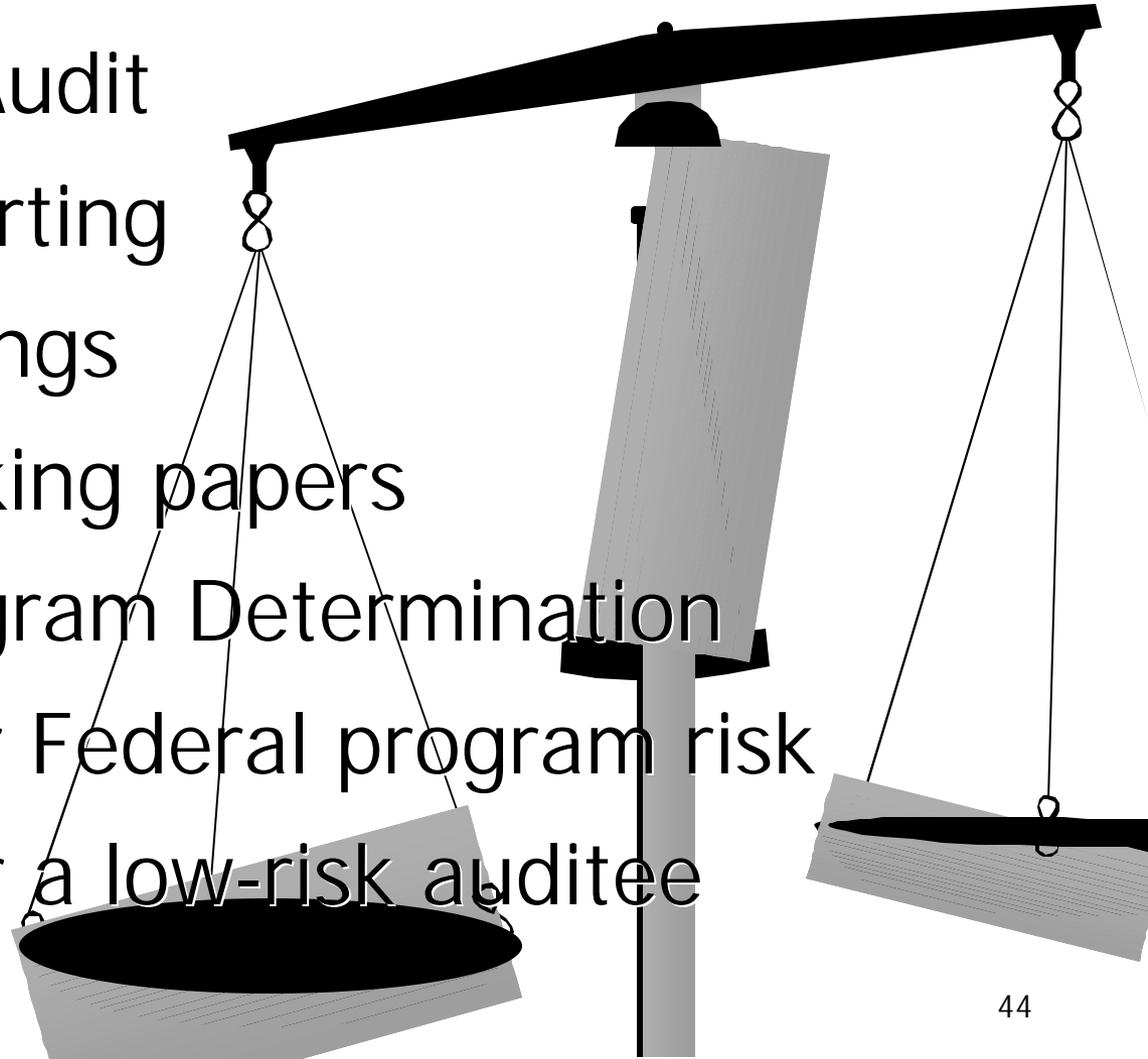
Management Decisions

- Responsible entity shall make decision within six months of receipt of audit report.
- Corrective action should be within six months after receipt of audit report.
- Each decision should include reference numbers assigned by the auditor.



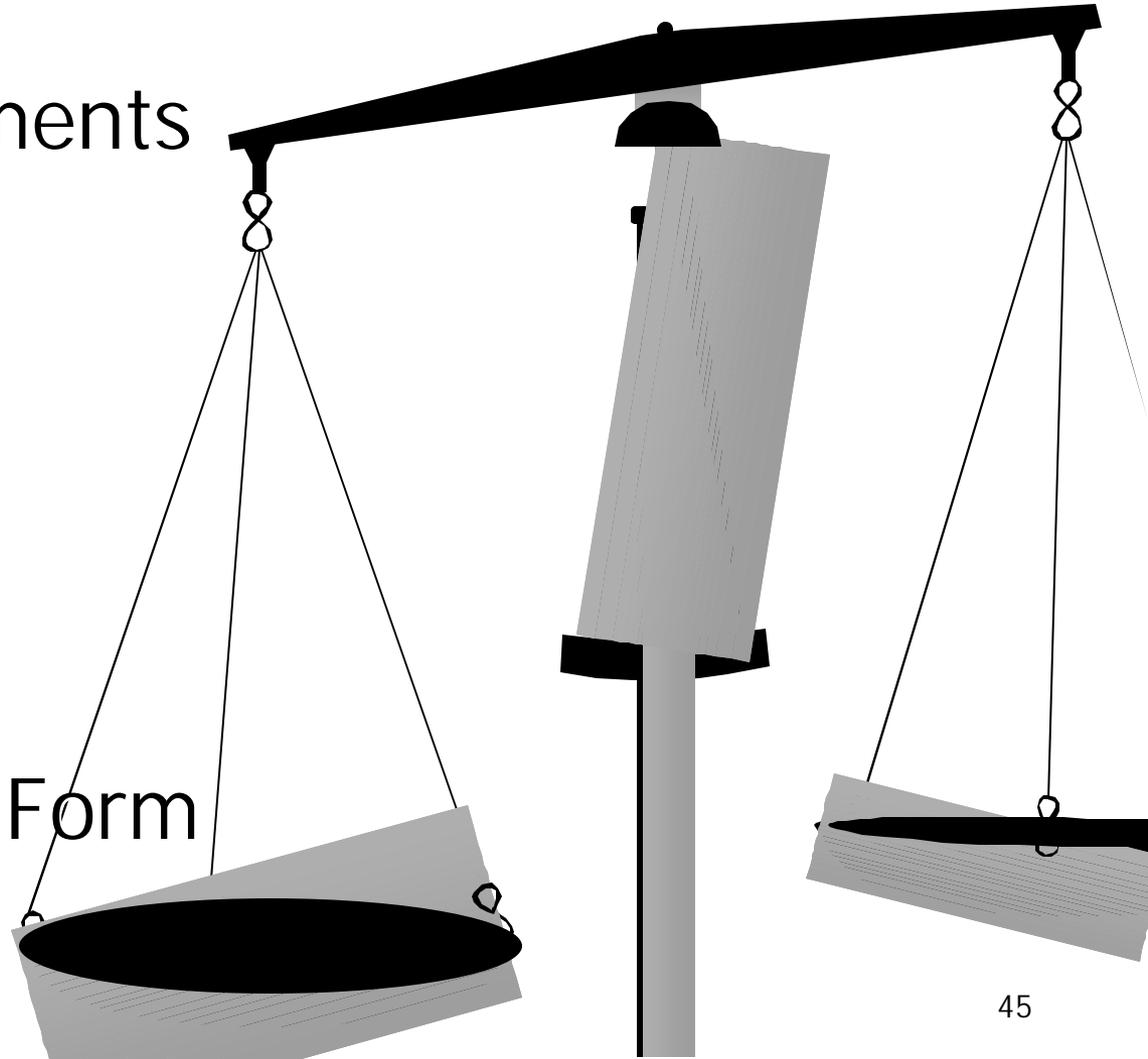
Subpart E – Auditors

- .500 Scope of Audit
- .505 Audit reporting
- .510 Audit findings
- .515 Audit working papers
- .520 Major Program Determination
- .525 Criteria for Federal program risk
- .530 Criteria for a low-risk auditee



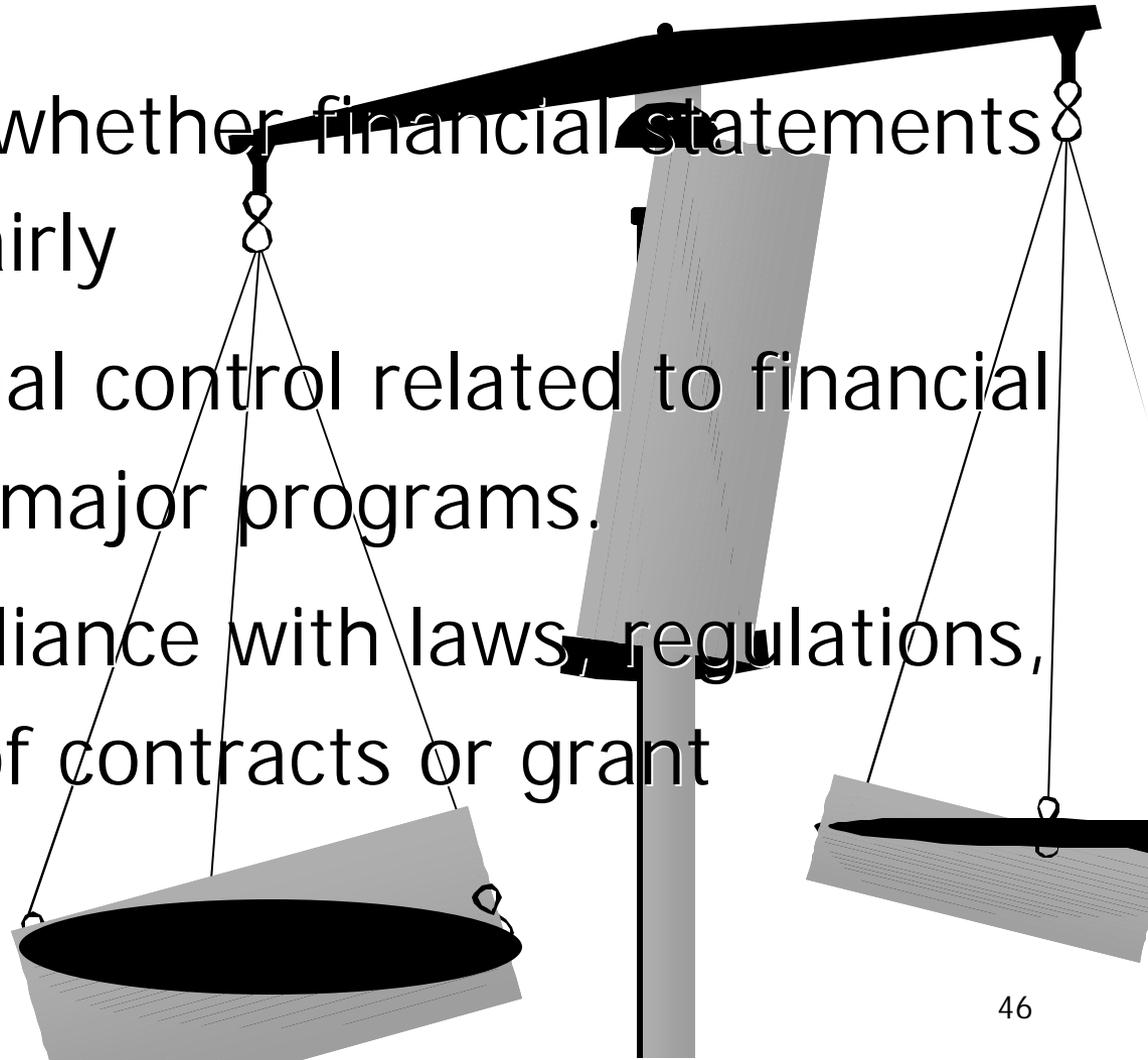
Scope of Audit

- Financial Statements
- Internal Control
- Compliance
- Audit follow-up
- Data Collection Form



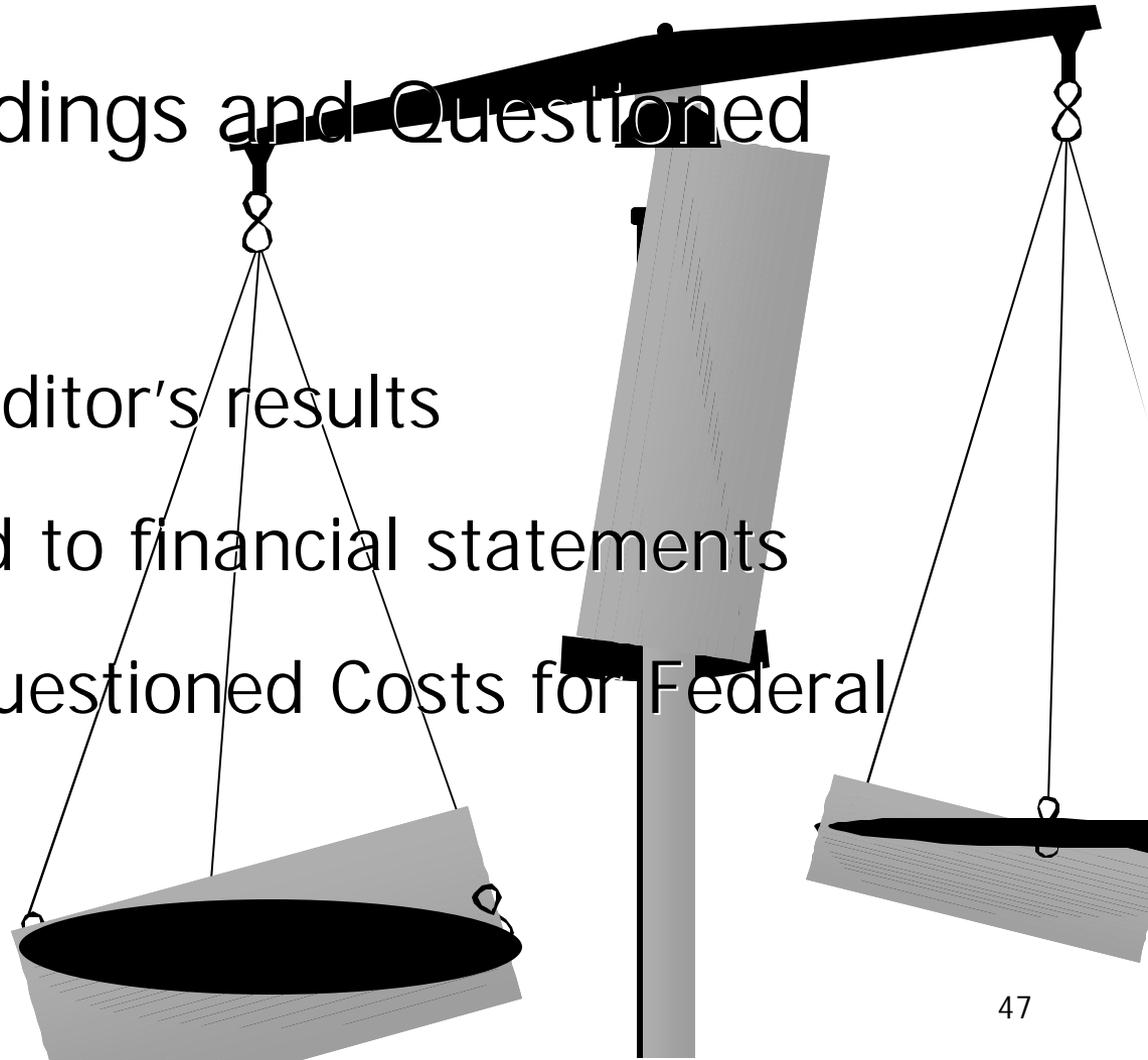
Audit Reporting

- Opinion stating whether financial statements are presented fairly
- Report on internal control related to financial statements and major programs.
- Report on compliance with laws, regulations, and provisions of contracts or grant agreements



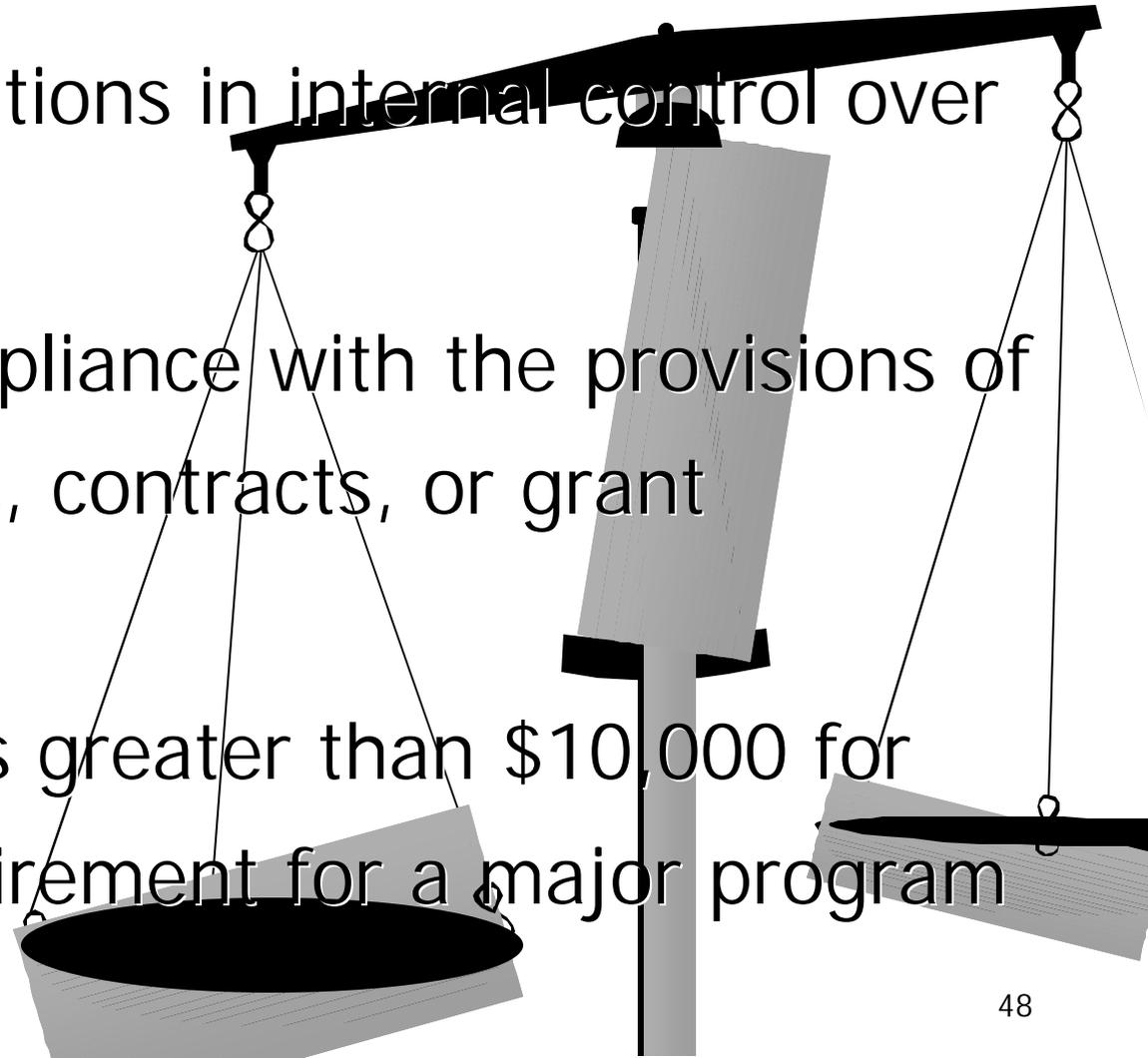
Audit Reporting

- Schedule of Findings and Questioned Costs
 - Summary of Auditor's results
 - Findings related to financial statements
 - Findings and Questioned Costs for Federal Awards



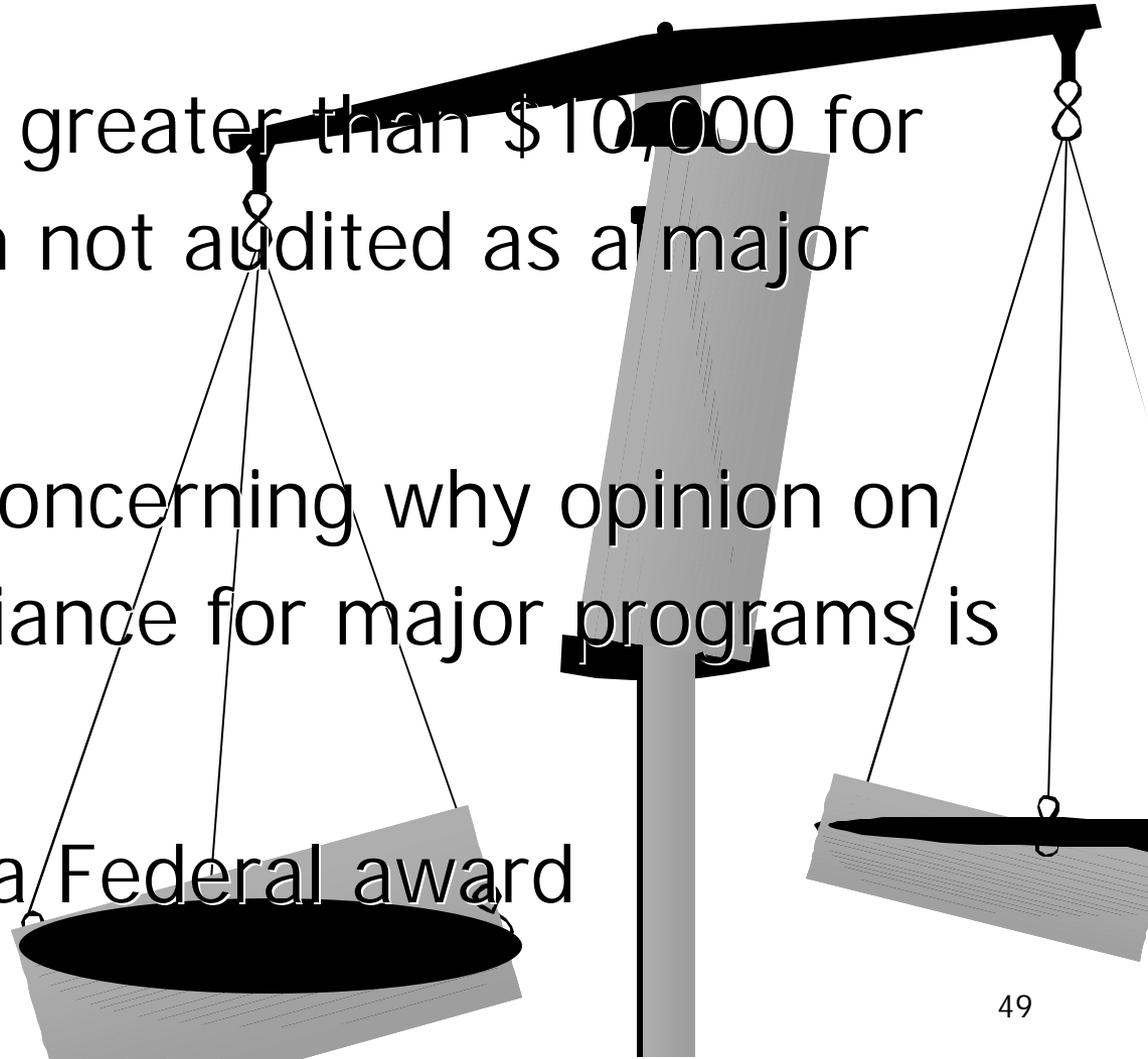
Audit Findings Reported

- Reportable conditions in internal control over major programs.
- Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements.
- Questioned costs greater than \$10,000 for compliance requirement for a major program



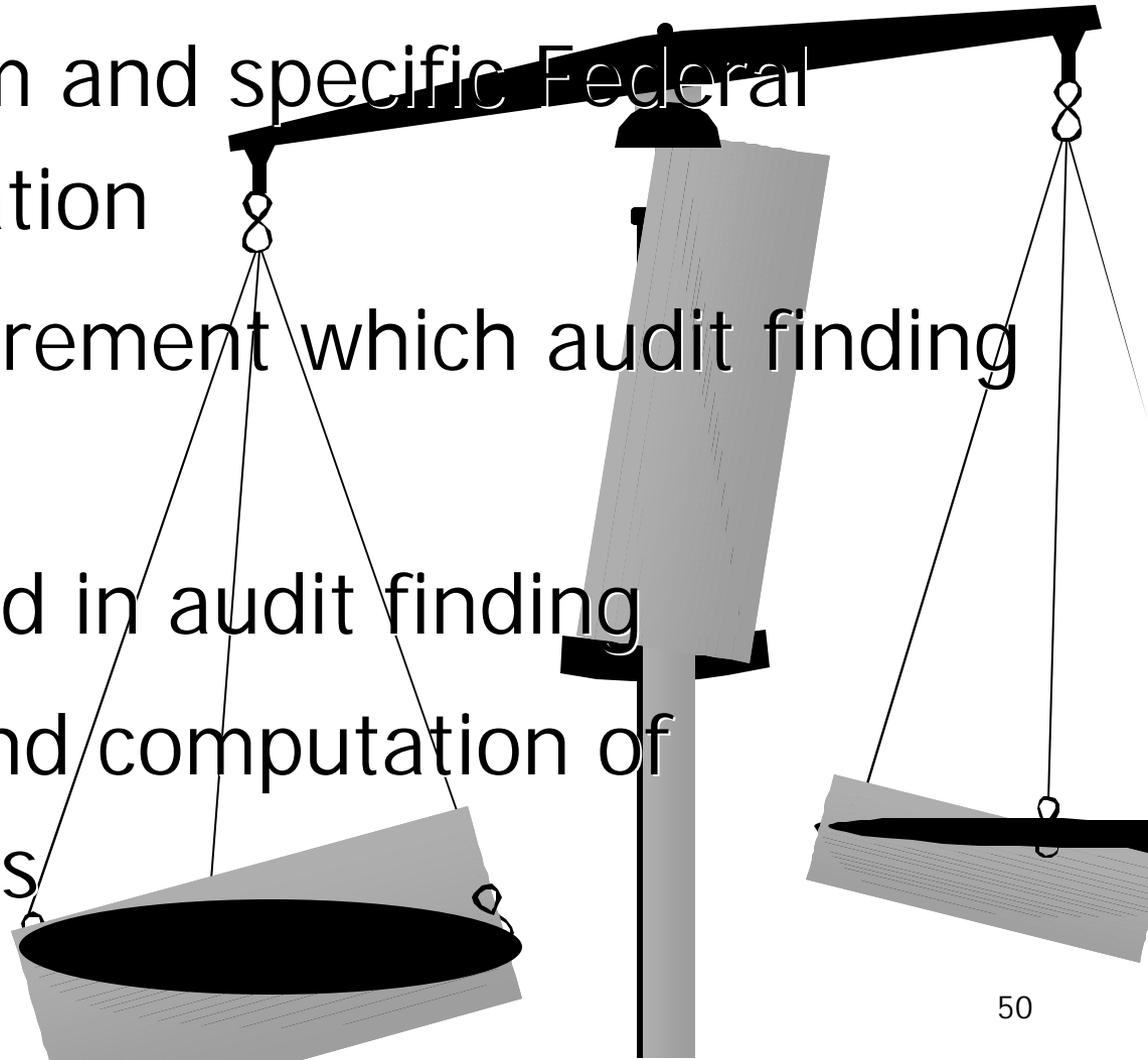
Audit Findings Reported

- Questioned cost greater than \$10,000 for Federal program not audited as a major program.
- Circumstances concerning why opinion on report on compliance for major programs is not unqualified
- Fraud affecting a Federal award



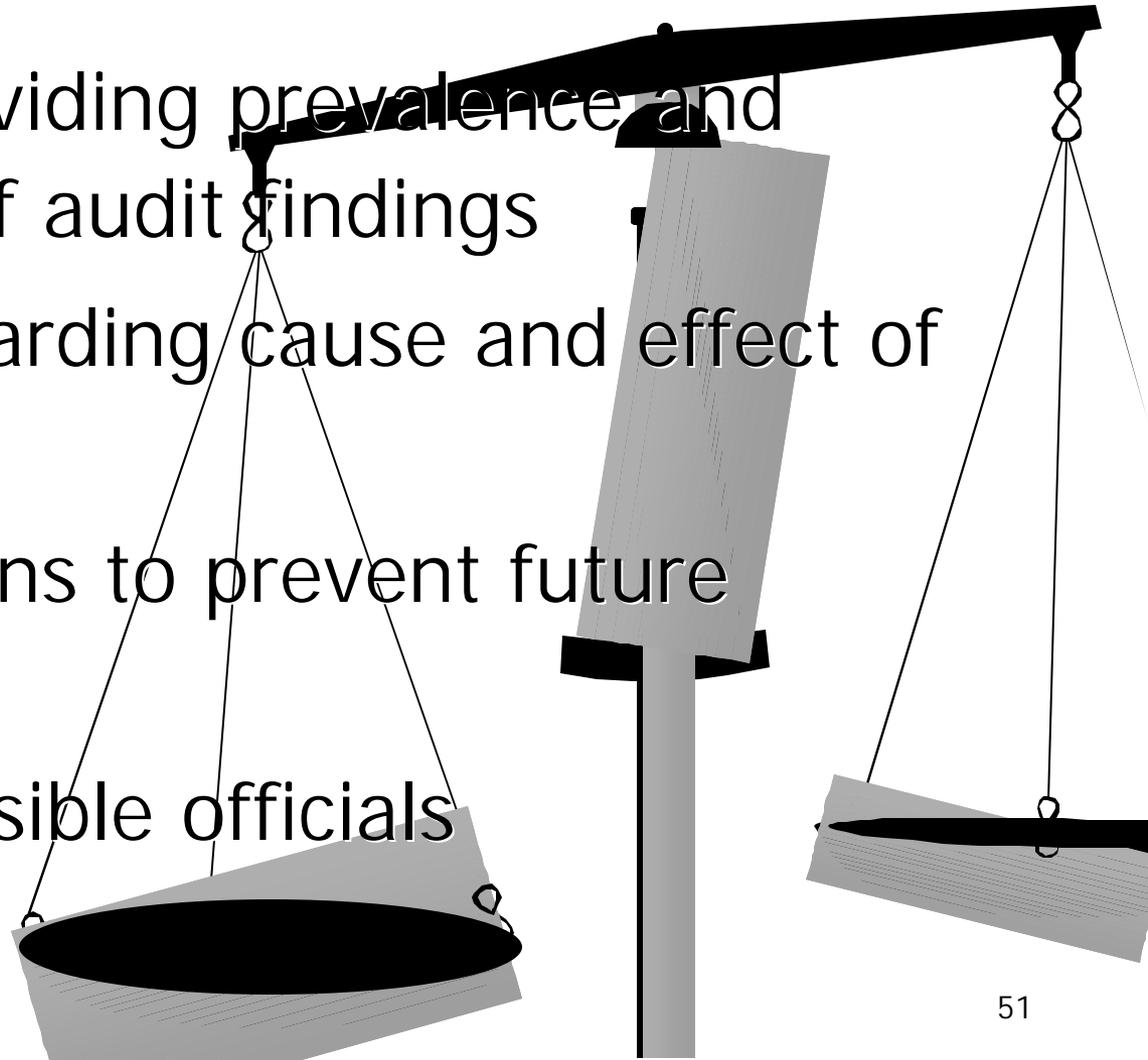
Audit Finding Detail

- Federal program and specific Federal award identification
- Criteria or requirement which audit finding is based
- Conditions found in audit finding
- Identification and computation of questioned costs



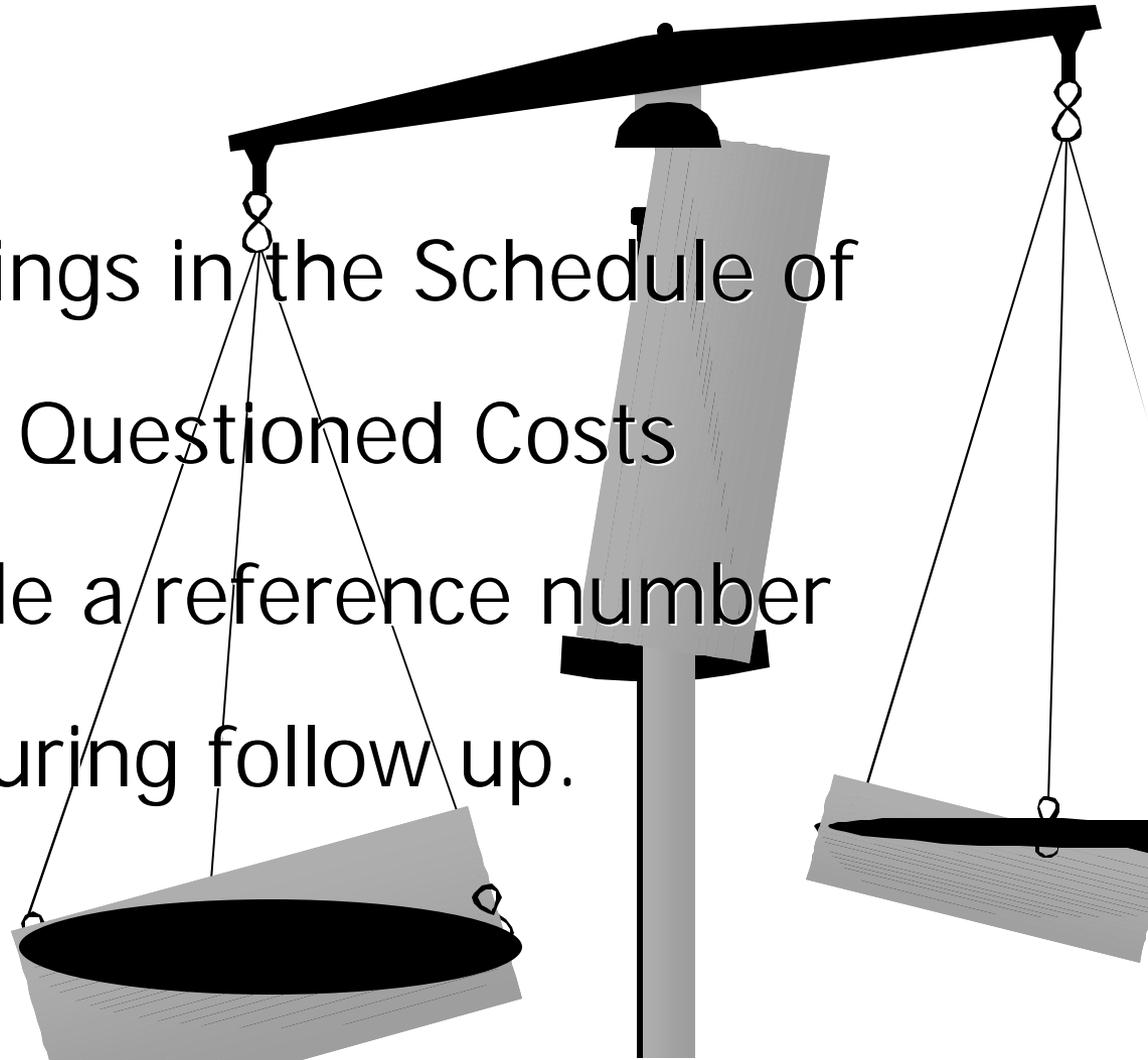
Audit Finding Detail

- Information providing prevalence and consequences of audit findings
- Information regarding cause and effect of finding
- Recommendations to prevent future deficiencies
- Views of responsible officials



Reference Numbers

All audit findings in the Schedule of Findings and Questioned Costs should include a reference number to be used during follow up.



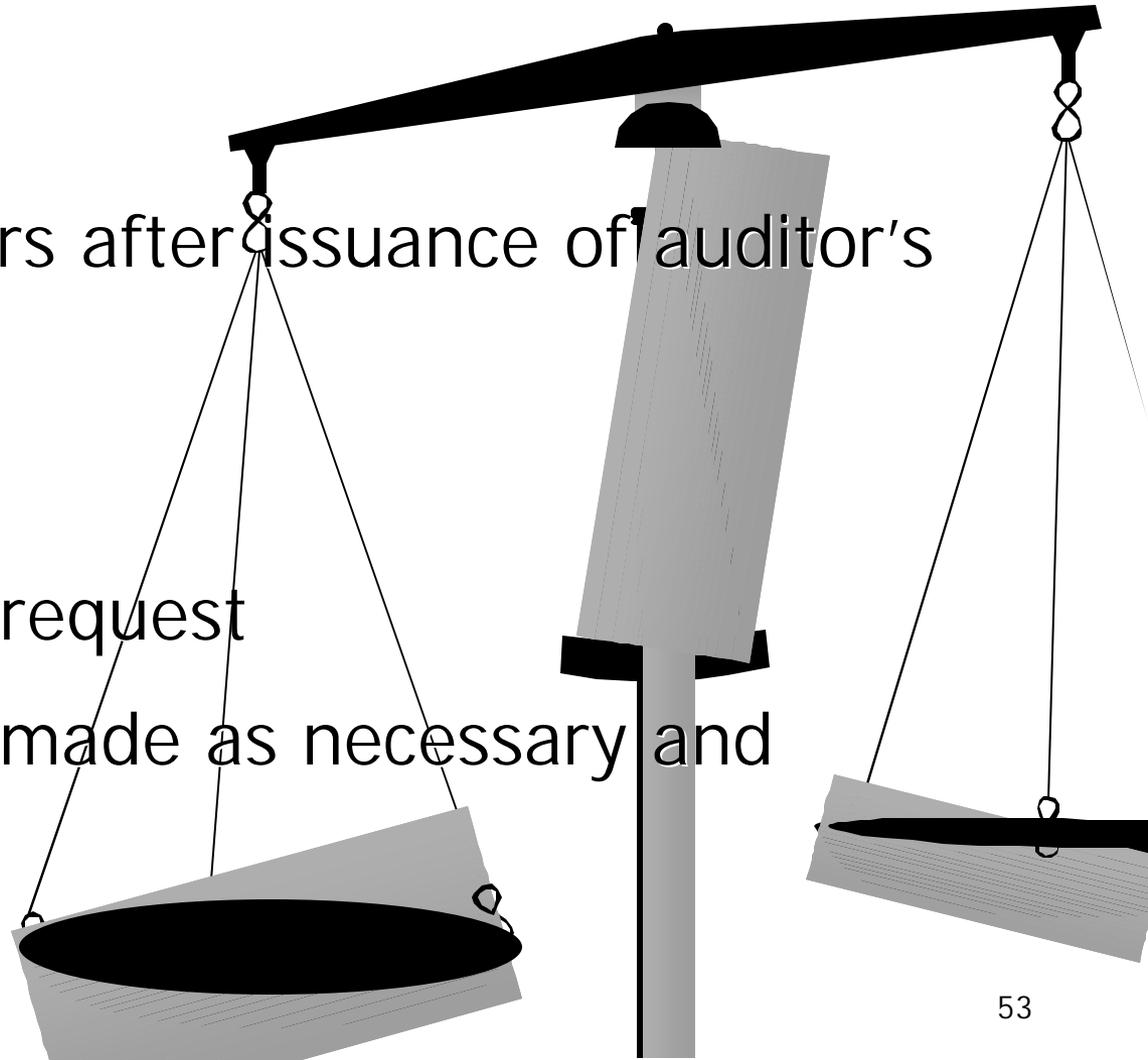
Audit Working Papers

- Retention

- Minimum 3 years after issuance of auditor's report

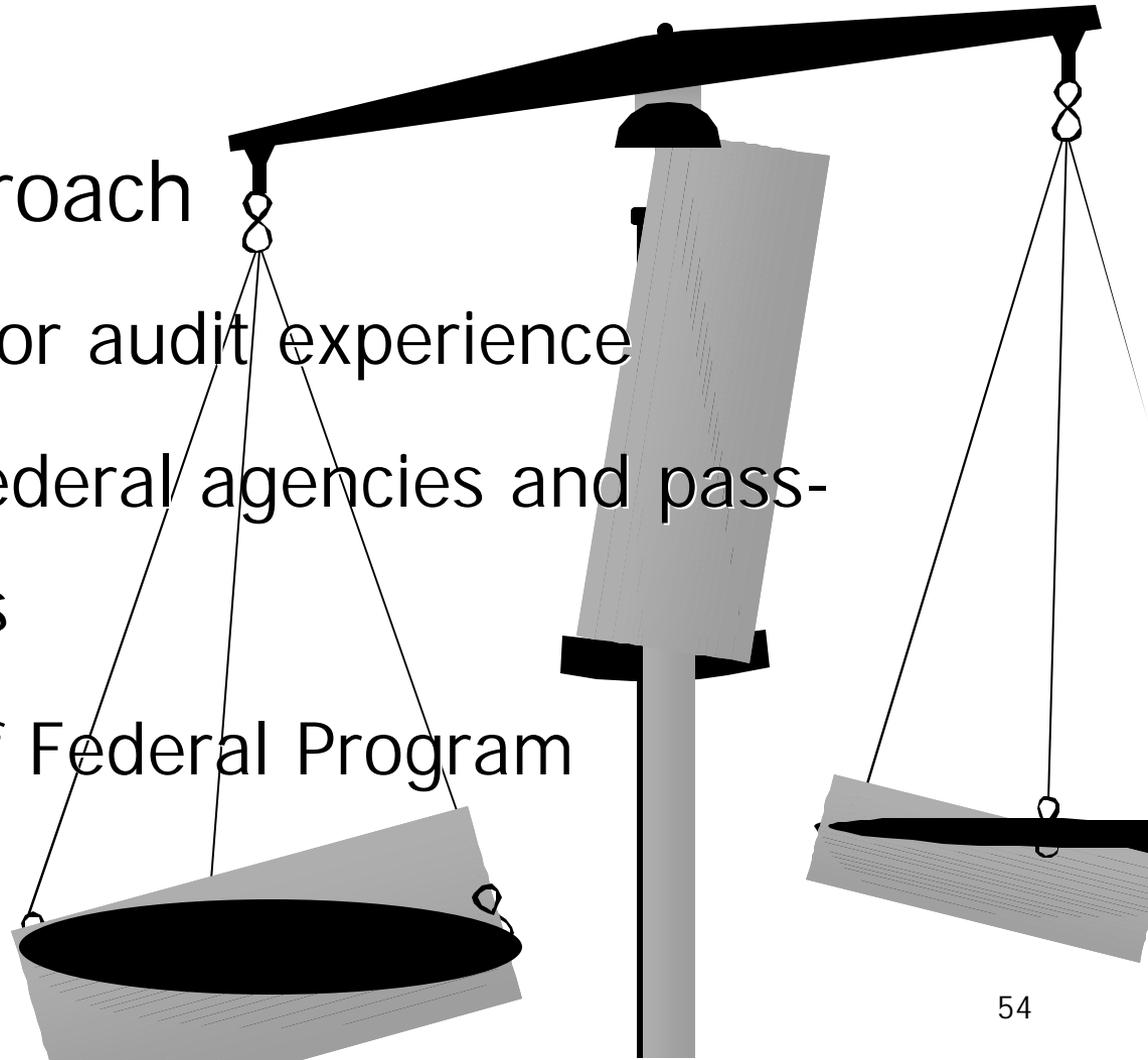
- Access

- Available upon request
- Copies may be made as necessary and reasonable



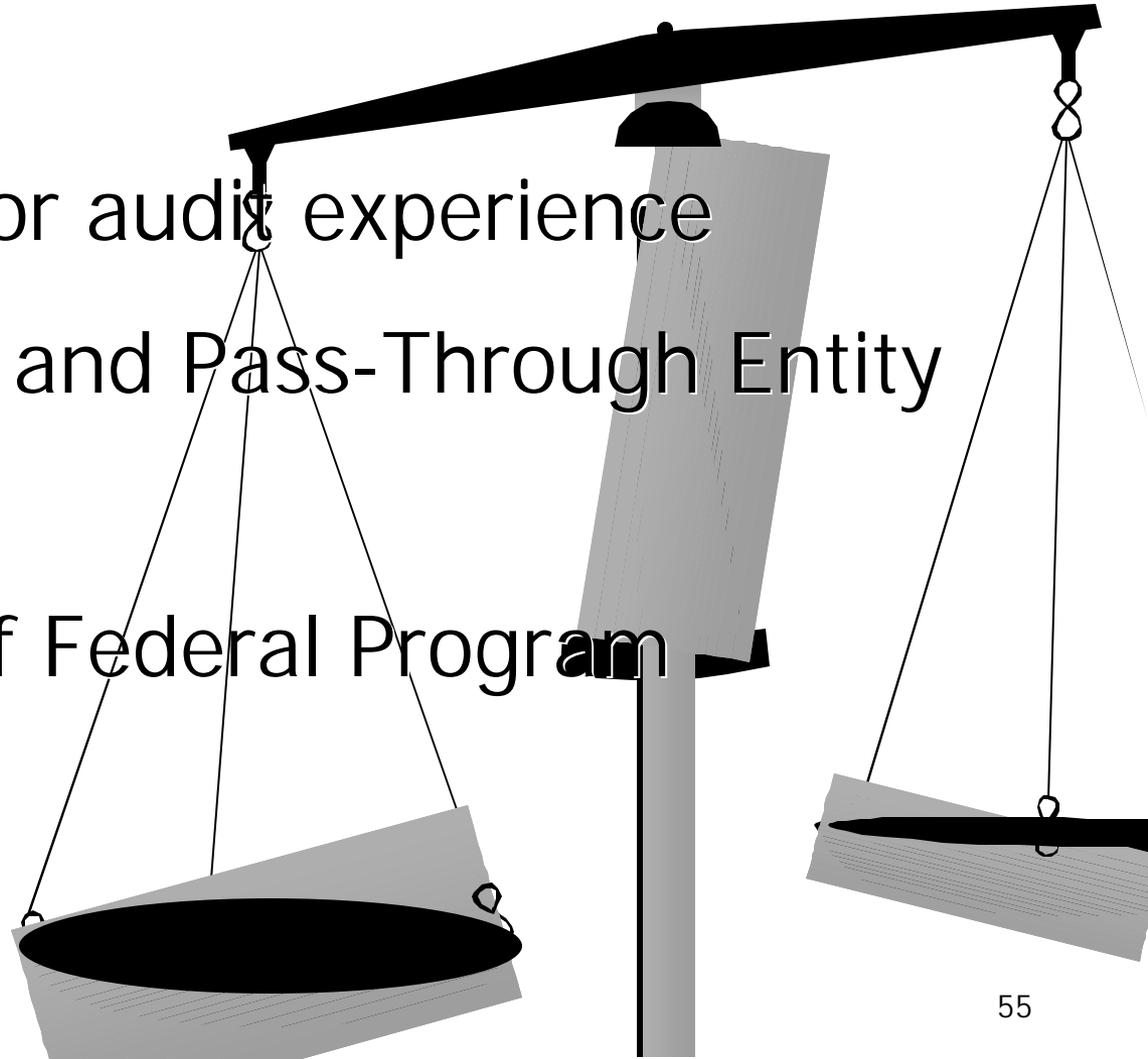
Major Program Determination

- Risk-based approach
 - Current and prior audit experience
 - Oversight by Federal agencies and pass-through entities
 - Inherent risk of Federal Program



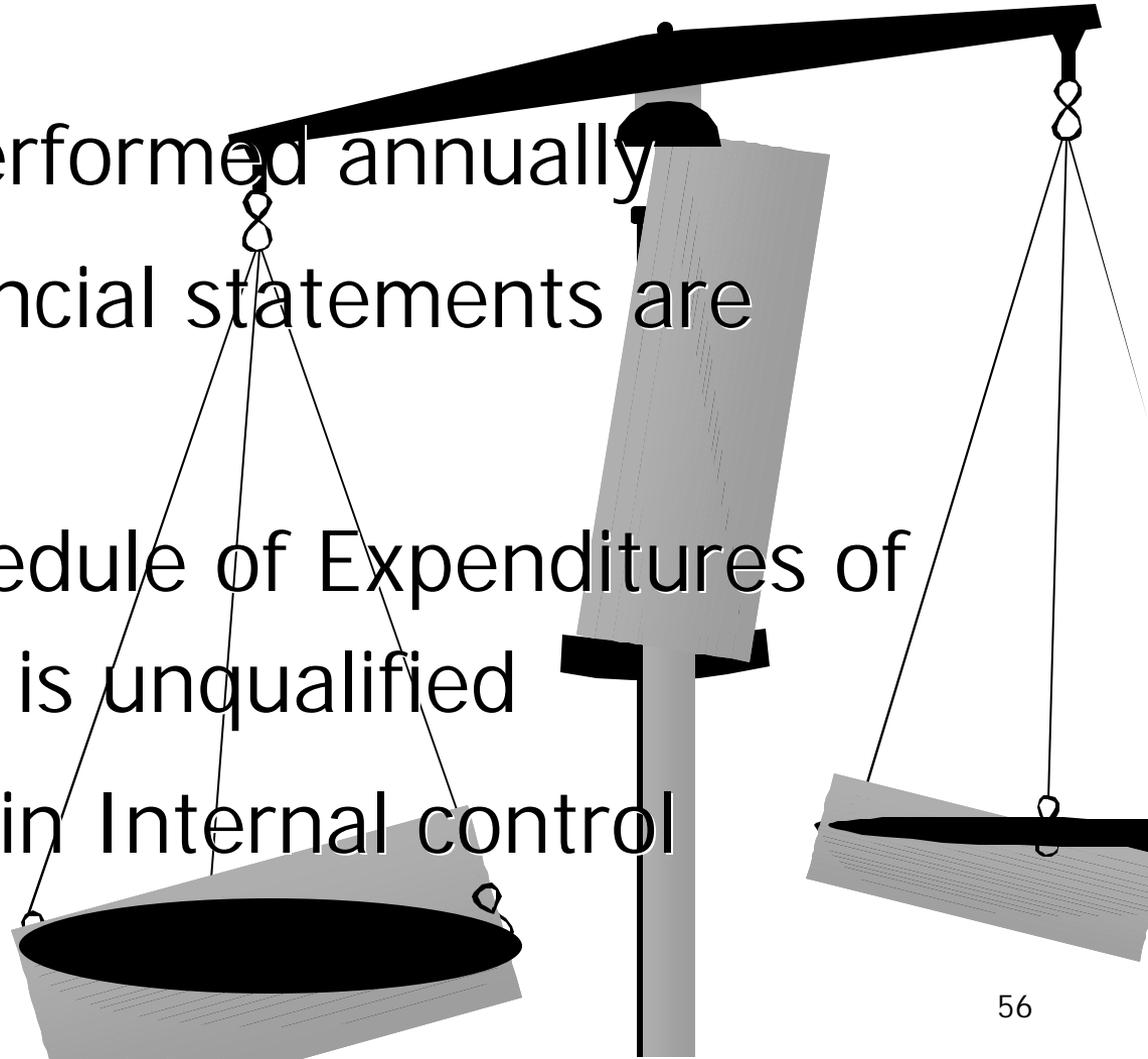
Federal Program Risk Criteria

- Current and prior audit experience
- Federal Agency and Pass-Through Entity oversight.
- Inherent Risk of Federal Program



Low-Risk Auditee Criteria

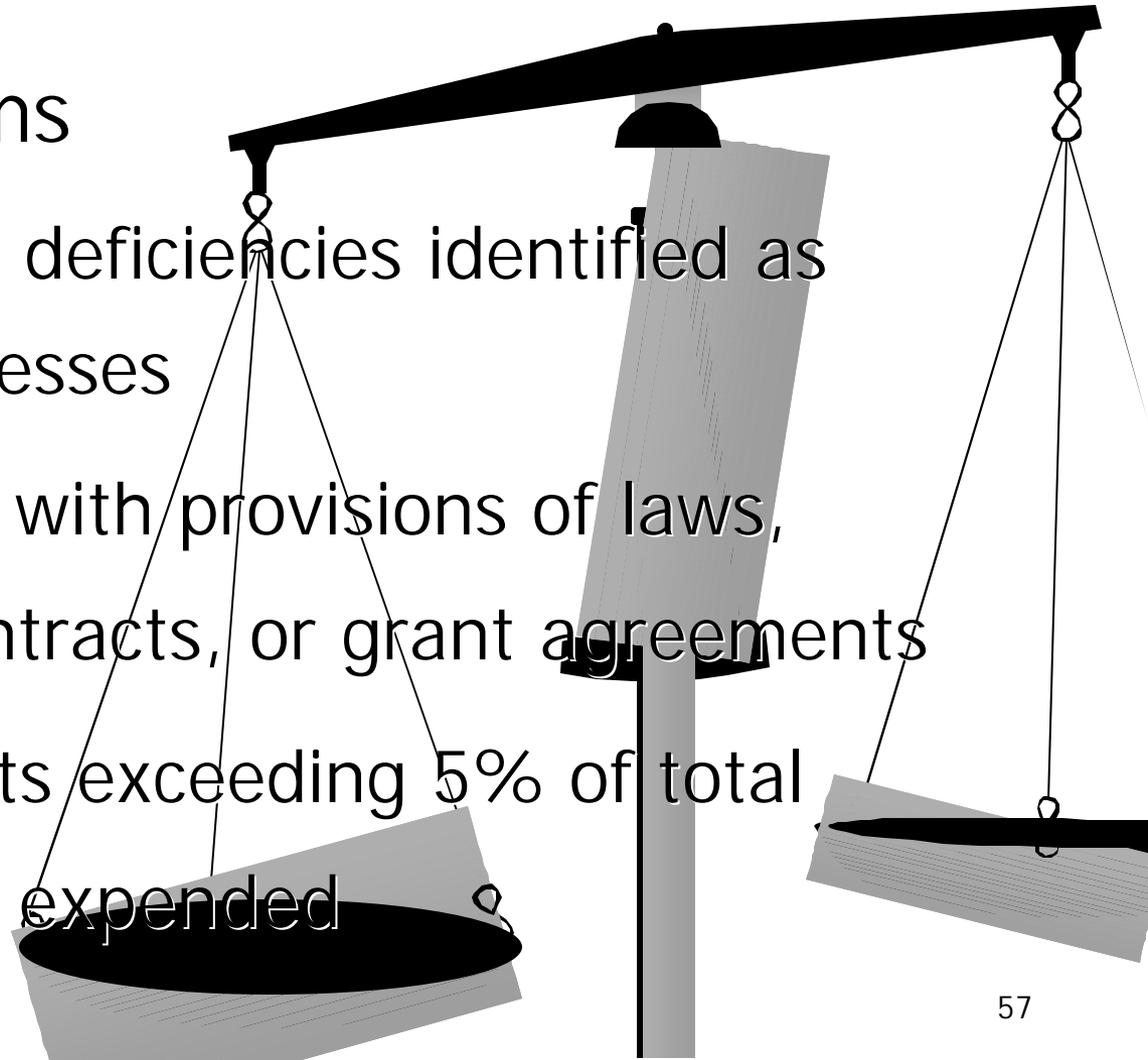
- Single audits performed annually
- Opinion on financial statements are unqualified
- Opinion on Schedule of Expenditures of Federal Awards is unqualified
- No deficiencies in Internal control



Low-Risk Auditee Criteria

- Federal Programs

- Internal control deficiencies identified as material weaknesses
- Noncompliance with provisions of laws, regulations, contracts, or grant agreements
- Questioned costs exceeding 5% of total Federal awards expended



Resources

- OMB Circulars –
www.whitehouse.gov/omb

