

AUDIT AND AUDIT RESOLUTION

Peg Rosenberry, Director of Grants Management

Claire Moreno, Audit Liaison, Office of Grants Management

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Objectives

- Familiarize grantees with the OIG audit Process
- Understand OMB A-133 Audits
- Understand Compliance and Internal Control Findings
- Identify what to gather to prepare for an OIG audit
- Learn how to develop a corrective action plan
- Review common OIG audit findings
- Help minimize audit findings and questioned costs

Inspector General Audits

- IG audits and procedures are Corporation-specific
- They confirm compliance with CNCS regulations, grant terms and conditions and program requirements as well as the OMB Circulars and other requirements for federal assistance
- Are usually “Agreed-Upon Procedures,” not audits
- They are performed by independent accounting firms on contract to the OIG

A-133 Audits

- A-133 audits include both the entity's financial statements and review of federal awards
- Include specific compliance components for managing federal grants
- Provide guidance to your audit firm on what to test in your federal grants
- Are required if you expend more than \$500,000 in federal funds in a fiscal year

A-133 Audits will:

- Express an opinion on whether your financial statements are presented fairly and conform with good accounting practices
- Identify reportable conditions and material weaknesses
- Include a schedule of federal expenditures



OIG and A-133 Audits Check:

- If you have effective accounting procedures in place
- If you maintain appropriate documentation to support all expenditures of the organization
- If you have written policies and procedures in place to comply with all requirements
- If you maintain a good control environment

Components of an OIG Audit

- Review of written policies and procedures for financial management
- Review of internal control policies and procedures
- Reconciliation of your general ledger to your federal financial reports
- Sampling of costs to ensure supporting documentation is maintained
- Sampling of volunteer/participant files to ensure compliance with CNCS regulations

Steps in OIG Process

- Notification letter
- Entrance conference
- Survey phase
- Field work
- Exit conference
- Draft report
- Response to draft
- Final report
- Audit resolution

What is an OIG Compliance Review?

- Procedures to ensure grantees are complying with all CNCS and federal grants management requirements contained in:
 - Grant provisions
 - CNCS regulations
 - OMB Circulars

What are Internal Controls?

- A system of good business practices relying on checks and balances to protect the organization
- Procedures designed to provide reasonable assurance that an organization:
 - Protects resources against waste, fraud and inefficiencies
 - Has accurate and reliable financial and operating data
 - Complies with its own organizational policies
 - Complies with all required laws and regulations

Why have Internal Controls?

- Improve accountability to customers (federal government, CNCS, trustees, etc.)
- Help organization achieve performance and budget targets
- Improve reliability of financial reporting
- Improve compliance with laws, regulations
- Prevent loss of resources and public assets
- Prevent loss of public trust

Sample Policies and Procedures for Good Controls

- Authorization of Transactions
- Cash Receipts Procedures
- Payroll Procedures
- Records Retention
- Segregation of Duties
- Budgeting
- Financial Reporting
- Travel Regulations
- Personnel Policies

What are questioned costs?

- Auditors will question costs if the accounting records can't be traced back to appropriate supporting documentation that:
 - Demonstrates the expenditure was allowable and allocable to a grant
 - Shows an equitable basis of cost allocation
 - Includes a specific dated invoice or receipt that identifies the specific cost
 - Demonstrates the expenditure was properly authorized

Preparing for an OIG Audit

- Start when you receive a Corporation grant
- Review all requirements and develop written policies and procedures to comply with them. Handbooks are very useful
- If you have subgrantees, train them on all grant requirements and establish a robust monitoring process to ensure they have systems in place to comply with all grant provisions and regulations

When you receive notification from the OIG

- Determine what years the audit will cover
- Pull files from storage if you have already archived them for the years to be audited
- Alert your subgrantees
- Gather your policies and procedures
- Ensure your FFRs are reconciled to your financial records

During the Audit

- Be available to the auditors to answer questions, provide documentation
- Contact the Corporation for policy clarification, if needed
- If you have subgrantees, attend the entrance and exit conferences at each subgrantee audited

After the Audit

- Respond to all of the audit findings and recommendations
- Develop a corrective action plan to address the findings

What is a corrective action plan?

- Comprehensive documentation that describes what you have already done and what you will do to resolve the finding and address the recommendations
- It must include a timeline for completing all appropriate action

What is a management decision?

- The Corporation's response to the audit and your corrective action plan
- A document that resolves the questioned costs and determines whether or not they will be allowed or disallowed
- A document that describes what the organization has done or still needs to do to address the audit findings

Common OIG Audit Findings

- Staff and/or volunteers do not maintain proper timesheets
- The general ledger does not reconcile to the Federal Financial Report
- Costs incurred outside of the budget period are charged to the grant.
- Matching costs are not supported

More Common OIG Audit Findings

- Grantees charge staff time to the grant based on budgeted time, not actual time
- Background checks are not completed or the documentation is missing
- Senior Corps and AmeriCorps volunteer eligibility requirements are not met

Exercise

Identifying the Consequences and Corrective
Actions of
Specific Audit Findings

Questions?