

Office of Inspector General

The OIG Audit Process



Session Objective

- To present the Corporation's Office of Inspector General Grant Audit Process
- To list the OIG Common Audit Findings
- OIG Web site - www.cncsoig.gov

OIG Mission

- Conduct audits and investigations on Corporation programs and operations
- Provide leadership and coordination and recommend policies for activities designed to prevent and detect fraud, waste, and abuse, and to promote economy, efficiency and effectiveness of Corporation programs and operations
- Keep the Corporation's CEO and Congress informed about problems and deficiencies in programs and operations, as well as the need for implementing corrective action.

Why Audit?

To be sure that an organization has the internal controls, or processes and procedures, in place to comply with the grant terms and conditions (laws, regulations, grant provisions). Ours is a long-term approach to find and correct weaknesses. This can help an organization become stronger in terms of compliance.

Office of Inspector General Audits

Performed by an OIG Auditor

OR

Performed by an OIG-selected Independent Public
Accounting Firm (IPA)

How are Subjects for OIG Audits Selected?

- Legislation
- Risk – Federal dollars expended

New program

No recent monitoring

- Audit Leads – requests from Corporation Program or Grants Officers, leads from investigations, news reports
- OIG Hot Line reports

Question:

What is the best way to prepare for an audit?

Answer:

Have systems, policies and procedures in place, *before grant award*, to ensure the organization operates within the rules of its Federal assistance (laws, regulations and grant provisions).

Remarks from the Maryland Governor's Grants Conference at College Park, MD, On Accepting Federal Grants

“You have to ask yourself, ‘Am I ready for this?’ These are requirements, not requests, and they have to be done. You cannot do this if you don’t have the mechanisms and people to record these things.”

- Jesse Buggs, Grants Administrator, City of Bowie, MD

Additional Remarks on Grant Audit Readiness

- Review and tune up financial, administrative and project management systems;
- Read and understand the award terms and conditions before signing the award, and revisit the award requirements frequently throughout the project;
- Ensure all staff understand the project and award requirements, and that they communicate frequently;
- Ask questions and get approvals before acting;
- Know the agency contacts;
- Document everything;
- Attend training sessions; and
- Respond fully and on a timely basis during the audit and resolution process

- John Seeba, IG of the Federal Trade Commission

The question should not be “How do we pass the audit?”, but “Is the organization doing what is required by the terms and conditions of its grant?”



Audit Process

- Notification
- Planning
- Entrance Conference
- Fieldwork/Testing
- Exit Conference
- Draft Report
- Corporation and Grantee Response
- Final Report

Notification, Entrance Conference and Planning

- **Notification Letter:** The OIG notifies the auditee in writing, prior to the scheduled start date.
- **Planning or Survey Phase:** Auditor(s) gains an understanding of the program by obtaining the criteria, background information on the organization, key financial and programmatic personnel, operating systems and controls, grant expenditures, grant reporting (accounting system reports, FSR, FCTR).

Planning includes identifying the criteria to test against, determining if sites or subgrantee locations exist and will be tested, and developing the audit plan. This is a plan of the work to be done during the audit and also establishes a set of procedures specifically designed for each audit.

Planning Phase (concluded):

Entrance Conference: Its purpose is to provide grantee management with information and a description of the audit scope and objectives. Talk about point of contact, communication, work space, work hours, when information is needed and so forth. Ask questions.

Revised Grant Guidelines

Effective May 11, 2004 and August 31,

Federal Grant Guidelines	Universities	2005 States, Local, Indian Tribal Governments	Non-Profits	Hospitals
Administrative Requirements	45 CFR § 2543 2 CFR § 215 (formerly A-110)	45 CFR § 2541 (formerly A-102)	45 CFR § 2543 2 CFR § 215 (formerly A-110)	45 CFR § 2543 2 CFR § 215 (formerly A-110)
Cost Principles	2 CFR § 220 (formerly A-21)	2 CFR § 225 (formerly A-87)	2 CFR § 230 (formerly A-122)	45 CFR § 74 (HHS regulations)
Audit Requirements *	A-133	A-133	A-133	A-133

Notes:

CFR = Code of Federal Regulations

* = Organization is subject to A-133 if it expends more than \$500,000 in Federal funds in its fiscal year

Program Specific Requirements

Overall CNCS Purposes: 45 CFR § 2510

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Senior Corps:

Senior Companion Program, 45 CFR § 2551

Foster Grandparent Program, 45 CFR § 2552

RSVP, 45 CFR § 2553

Fieldwork

- The fieldwork phase is when the auditor/audit team applies the procedures described in the audit program. This is also referred to as transaction testing or the testing phase.
- During the fieldwork phase the auditor(s) will review original source documentation that supports costs charged to the grant and claimed, as well as member or volunteer files.

Late Data

- OIG resources rarely allow the auditor(s) to accommodate late submission of data. The support should be available when requested. Even if the late submitted data does eliminate questioned costs, the report generally still includes compliance or internal control findings and recommendations for improvement.
- What is late? It depends on when the auditor asked for the data and the organization agreed to have it available. Communication is key.

Exit Conference

- This discussion takes place when fieldwork is finished and the results are compiled. It provides Corporation and auditee officials with an opportunity to confirm information, ask questions, and provide *clarifying* data.
- An exit briefing also takes place at each subgrantee/site if any were tested. Parent organizations should attend or otherwise find out what the findings are at each subgrantee or site.

Draft Report and Responses to Draft Reports

- The draft report is issued to the auditee and Corporation officials with a request that they provide written comments, usually within 30 days. The Draft Audit Report is a “work-in-progress” and is not a public document.
- The Grantee and Corporation each have the opportunity to comment on the draft report. Responses are included as attachments to the final report (a public document).

Response Suggestions

Make it Meaningful and Something You Want the Public to Read

- If there is agreement with a finding, say so, and include a corrective action plan.
- If there is disagreement, state the case based on controlling rules (law, regulations, grant provisions).
- If the audit report recommendation does not work for your organization, propose an alternative.

The Final Report

- The auditor(s) incorporate the responses or comments and include their views on them. The final report is issued to the Corporation, with a copy to the grantee and is posted to the OIG's publically accessible web: www.cncsoig.gov

Audit Resolution

- The Corporation and Grantee management agree or disagree on proposed corrective actions.
- The OIG is given an opportunity to review the proposed corrective actions. However, final decisions are made by the Corporation.
- Corporation and Grantee management take action to improve operations or correct deficiencies identified in the Final Audit Report.
- Debts, if applicable, are collected.

Common Audit Findings

- Organizations to not keep separate accounting records for each grant
- Financial Status Reports do not reconcile to the accounting records
- Staff time sheets do not comply with OMB Circular/Code of Federal Regulations requirements
- National Service Criminal History Checks not performed, not performed timely or not documented
- Volunteer or member eligibility not documented
- Match is not properly documented and/or not allowable

Common Audit Findings, SeniorCorps

- Inadequate support for travel reimbursements
- Lack of or missing Volunteer Assignment Plans
- Out of date or missing Volunteer Station Memoranda of Understanding

Questions ?