



# Resolving Audits Effectively and Efficiently



Kevin Brumback  
Audit Resolution Specialist  
U.S. Department of Labor, ETA  
Office of Grants Management

# Overview

- ▶ Purpose
- ▶ Audit Types
- ▶ Single Audits
- ▶ Audit Resolution Process
- ▶ Tips for Resolving Audits Effectively and Efficiently

# Audit Types

- ▶ Single Audits
- ▶ Regional Monitoring Reports
- ▶ OIG Reports

# Single Audit 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)]

- ✓ Basis for determining Federal awards includes accrued costs, disbursements to subrecipients [2 CFR 200.502]

If under \$750,000, grantee still must make all records available for audit or review by the Federal agency, its pass-through agency, and/or GAO

# Single Audit - Applicability

- ✓ All recipients and subrecipients of a Federal award:
  - ▶ States & local governments
  - ▶ Non-profit organizations
  - ▶ Indian tribes
  - ▶ Institutions of Higher Education (IHE)

# Single Audit (cont.)

- ✓ Federal awards from two or more Federal programs
  - ▶ Conducted in accordance with GAGAS and 2 CFR 200.514 Scope of Audit
  - ▶ Organizational-wide audit
  - ▶ Overall operations, compliance with regulations governing Federal awards, organization's overall financial activity

# Purpose of the Single Audit

- ▶ Set standards for obtaining consistency and uniformity among Federal agencies
- ▶ Reduce burden on grant recipients by only having a single Federal audit
- ▶ Provides an overview of an organization's financial operations
- ▶ Not intended to provide detailed financial coverage or in-depth review of individual programs/awards



# Auditee Responsibilities – 2 CFR 200.508 through 2 CFR 200.512

- ▶ Procure/arrange for audit in accordance with 2 CFR 200.509
  - ▶ Always purchase audit services through a competitive procurement process
- ▶ Prepare appropriate financial information 2 CFR 200.510
- ▶ Provide access to auditor of needed information
- ▶ Promptly follow up on corrective actions 2 CFR 200.511

# Auditee Responsibilities (cont.)

- ▶ 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

# Frequency and Timing of Audit 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)

# COVID-19 Extension for Single Audit Submission

- ▶ OMB memo M-20-17
- ▶ For those that:
  - ▶ Have a Single Audit that has a fiscal year end through June 30, 2020
  - ▶ Have not filed as of March 19, 2020
- ▶ Extends the Single Audit completion and submission for six months beyond their normal date.

# Pass-Through Entity Responsibilities

2 CFR 200.331 (c)

- ▶ Verify that the subrecipient is audited if they meet expenditure threshold
- ▶ Work with subrecipient to resolve audit findings

## Pass-Through Entity Responsibilities (cont.)

- ▶ ETA encourages a similar informal audit resolution model that we use – FAR, ID, FD and Appeal (2 CFR 2900.20 – 2 CFR 2900.22)
- ▶ Prepare management decisions on subrecipient audit findings
- ▶ Must issue a final management decision within 12 months of acceptance of the audit report by the FAC
- ▶ Pursue debt collection if necessary

# Audit Resolution Process

# OIG Responsibilities

- ▶ Conducts and supervises audits of DOL programs and operations and determines if agency actions are sufficient to resolve recommendations
- ▶ Receives all Single Audit reports and issues to DOL agencies for resolution
- ▶ Maintains the official system for tracking audits and audit resolution process
- ▶ Reports on unresolved audits over 6 months old in the Semiannual Report to Congress



## OIG Responsibilities (cont.)

- ▶ Takes immediate action to report to the Office of Labor Racketeering and Fraud Investigations any suspicions of fraud, program abuse and/or criminal conduct
- ▶ Could be identified during the course of an audit, hotline complaint, etc.
- ▶ Reports to the Attorney General any suspected violations of Federal criminal laws

# Cooperative Audit Resolution Process

2 CFR 2900.20

- ▶ Cooperative Audit Resolution Process
- ▶ At a minimum, the process includes
  - ▶ Final Audit Report (FAR)
  - ▶ An Initial Determination (ID)
  - ▶ An informal resolution process
  - ▶ A Final Determination (FD)
- ▶ ETA recommends this process for resolving findings with your subrecipients

# Common Audit Findings

- ▶ Lack of internal controls
  - (2 CFR 200.302(a) and 2 CFR 200.303(a))
- ▶ Inadequate documentation to support charges
  - (2 CFR 200.302(a) and (b), 2 CFR 200.303, 2 CFR 200.403 and 2 CFR 200.404)
- ▶ Inaccurate financial reports
  - (2 CFR 200.302(a) and (b), 2 CFR 200.303(a) and (b))
- ▶ Inadequate documentation of participant records and eligibility
  - (2 CFR 200.302(a) and 2 CFR 200.303(a))

# Common Audit Findings (cont.)

- ▶ Lack of procurement policies and procedures  
-(2 CFR 200.318 – 2 CFR 200.320)
- ▶ Verification of Subrecipient Suspension and Debarment Status  
-(2 CFR 200.213)
- ▶ Lack of required terms and conditions in subaward agreements  
-(2 CFR 200.331 (a))
- ▶ Lack of subrecipient monitoring and oversight  
-(2 CFR 200.331 (d))
- ▶ UI improper payments

# Final Determination – Time Requirement

- ▶ At DOL, Final Determination must be issued by ETA within six months (180 days) of receipt from OIG
  - No extensions
- ▶ DOL UG Exception (2 CFR 2900.21)
- ▶ Uniform Guidance (2 CFR 200.521)
- ▶ Department of Labor Manual Series (DLMS) 8

# Common Audit Resolution Participants

- ▶ ETA Audit Resolution Unit
  - Audit Resolution Grant Officer, Audit Resolution Specialist
  
- ▶ ETA Regional Office
  - Audit Point of Contact (POC), Financial and Program Staff, Federal Project Officer (FPO)
  
- ▶ Grantee
  - Comptroller, Executive Director, Program Manager

# Resolution Process – FAC and OIG

- ▶ OIG pulls down Single Audits from the Federal Clearing House (FAC)
- ▶ OIG forwards the audit to the appropriate agency via a formal memo
- ▶ ARU verifies information in the memo and ensures that the audits forwarded by OIG belong to ETA

# Resolution Process – Sending the FAR

- ▶ ARU forwards the Final Audit Report (FAR) to the grantee within 5 days of receipt
- ▶ ARU verifies recipient info on data collection sheet is correct
- ▶ ARU forwards a copy of the audit to the Regional Office
- ▶ ARU and Regional Office works with grantee to resolve administrative findings and questioned costs



# Resolution Process – Grantees Response to FAR

25

- ▶ The grantee may submit documentation during this period to be considered in the Initial Determination.
- ▶ Grantee is encouraged to reach out to Regional Audit POC and ARU Specialist for any technical assistance
- ▶ Grantee generally given 45 - 60 days to provide response
- ▶ Grantee provides response to both the ARU Specialist and the Regional Audit POC

# Resolution Process – Documentation Review and Initial Determination

- ▶ Regional Office and ARU reviews the grantee documentation and gives their recommendation to the ARU Grant Officer
- ▶ An Initial Determination is issued
- ▶ Initial Determination summarizes which findings are considered corrected or uncorrected and which costs allowed or tentatively disallowed
- ▶ Informal Resolution begins and lasts 60 days from issuance of the Initial Determination

# Resolution Process – Grantees Response to ID and Preparing for FD

- ▶ Again, the grantee has the opportunity to submit documentation
- ▶ ARU and Regional Office reviews the documentation and makes recommendation to the Grant Officer

# The Final Determination (FD)

- ▶ Copies of FD transmitted to recipient, OIG, Region and the Grant Officer
- ▶ FD summarizes which findings are determined to be corrected or uncorrected by the Grant Officer, as well as any disallowed costs

# FD – Time Requirement

- ▶ At DOL, Final Determination must be issued by ETA within six months (180 days) of receipt from OIG
  - No extensions
- ▶ DOL UG Exception (2 CFR 2900.21)
- ▶ Uniform Guidance (2 CFR 200.521)
- ▶ Department of Labor Manual Series (DLMS) 8

# After the Final Determination

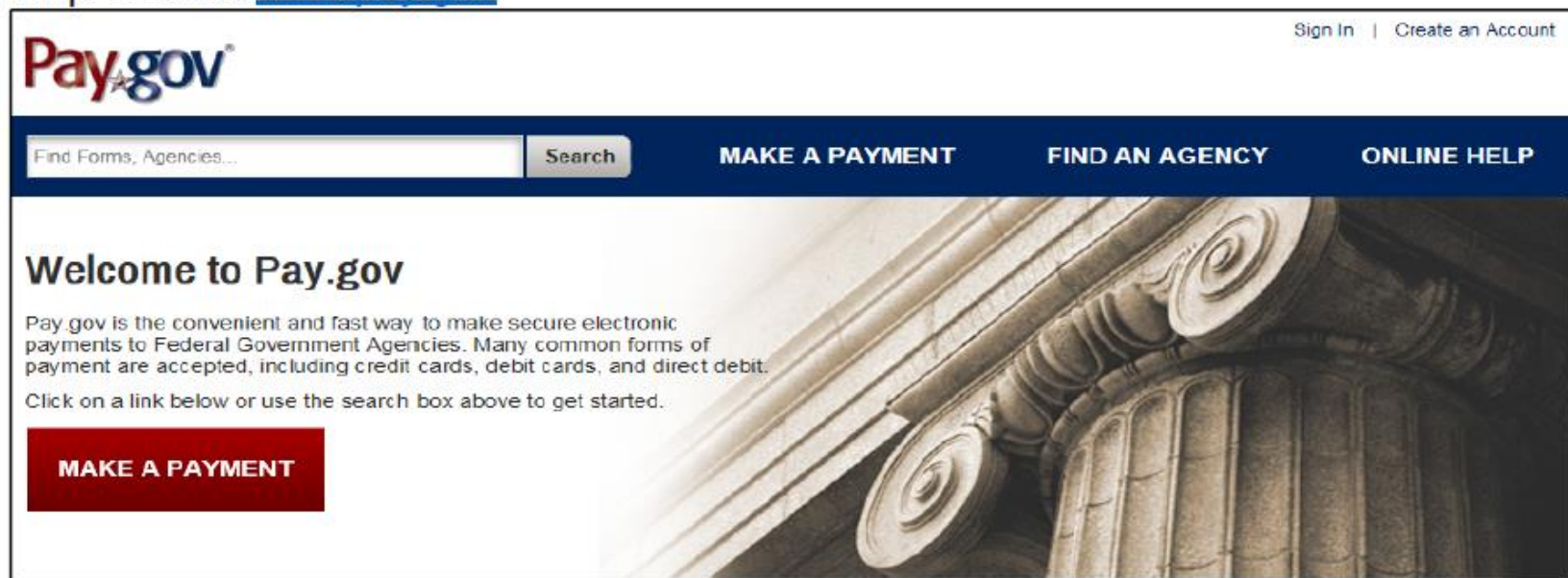
- ▶ Regional follow up on uncorrected findings in the FD
- ▶ Regional TA to help resolve uncorrected findings
- ▶ Disallowed costs are sent to ETA Accounting for possible debt collection

# Federal Debt Collection

- ▶ 2 CFR 200.345
- ▶ Federal debt collection provisions
- ▶ Debt established in Final Determination - payable in 30 days
- ▶ If not paid within 90 days Federal awarding agency may reduce the debt by:
  - Withholding advance payments or
  - Taking other action permitted by Federal statute
- ▶ Note that interest charged on overdue debt

# Pay.gov

Step 1: Go to [www.pay.gov](http://www.pay.gov)





# Appeals

33

- ▶ Due within 21 days from the Receipt of the FD
  - Important to submit appeal timely
- ▶ Appeal rights and process described to grantee in FD cover letter
- ▶ Appeal to DOL Office of Administrative Law Judges
  - 29 CFR 2900.22(b)

# Tips for Resolving Audit Findings and Resolving Quicker

34

- ▶ Grantees get a head start – don't wait
- ▶ Communicate
- ▶ Ask for technical assistance when needed
- ▶ Be specific in your responses and provide supporting documentation
- ▶ Seek to resolve past and current audit findings

# Additional 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 2900.20
  - ▶ 2 CFR 2900.21
  - ▶ 2 CFR 2900.22
- ▶ WIOA Provisions 20 CFR Part 683
  - ▶ 20 CFR 683.420
  - ▶ 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 200.331
  - ▶ 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

# Additional Guidance on Audit Procurement

“How to Avoid a Substandard Audit: Suggestions for Procuring an Audit,” located on the GAO website:

- ▶ <https://www.gao.gov/assets/200/194429.pdf>.

Additional information can be found at:

- ▶ <https://harvester.census.gov/facweb/>
- ▶ [www.agacgfm.org/homepage.aspx](http://www.agacgfm.org/homepage.aspx).

# Questions?

- ▶ Your Federal Project Officer (FPO)
- ▶ Kevin Brumback, [Brumback.Kevin@dol.gov](mailto:Brumback.Kevin@dol.gov)