

The letters S, M, A, R, and T are arranged vertically. Each letter is inside a dark blue circle. The circles are connected by a dashed orange line that starts with a small circle at the top and ends with a small triangle at the bottom. The background features a pattern of overlapping light blue and orange circles.

S
M
A
R
T

Strategies

Monitoring

Accountability

Risk Mitigation

Transparency

Audits and Audit Resolution

SMART 4.0

Hosted by the Office of Grants Management
Division of Compliance Assistance and Policy
Employment and Training Administration
U.S. Department of Labor

SMART 4.0 Training Series

- The training modules are focused on: **S**trategies for sound grant management that includes **M**onitoring, **A**ccountability, **R**isk mitigation and **T**ransparency.
- **4.0 focuses on Risks Identification and SMART Practices!**



Disclaimer

SMART 4.0 is part of the catalog of SMART grant management tools. This conference and its materials should be viewed primarily as a support resource. It is not intended to be comprehensive, but rather to provide an understanding of 2 CFR 200, 2 CFR 2900, and the management of ETA grants. The use of these SMART 4.0 modules does not ensure compliance. Any omission of an applicable Federal requirement does not waive a grant recipient or subrecipient's responsibility to comply with that requirement.

If, in any instance, there appears to be a conflict with the program statute, Federal regulations or OMB guidance, such conflict must be resolved in favor of the statute, Federal regulations, or OMB guidance. All the information contained in the SMART 4.0 modules may not be reproduced or distributed for a fee or profit.

Today's Speakers

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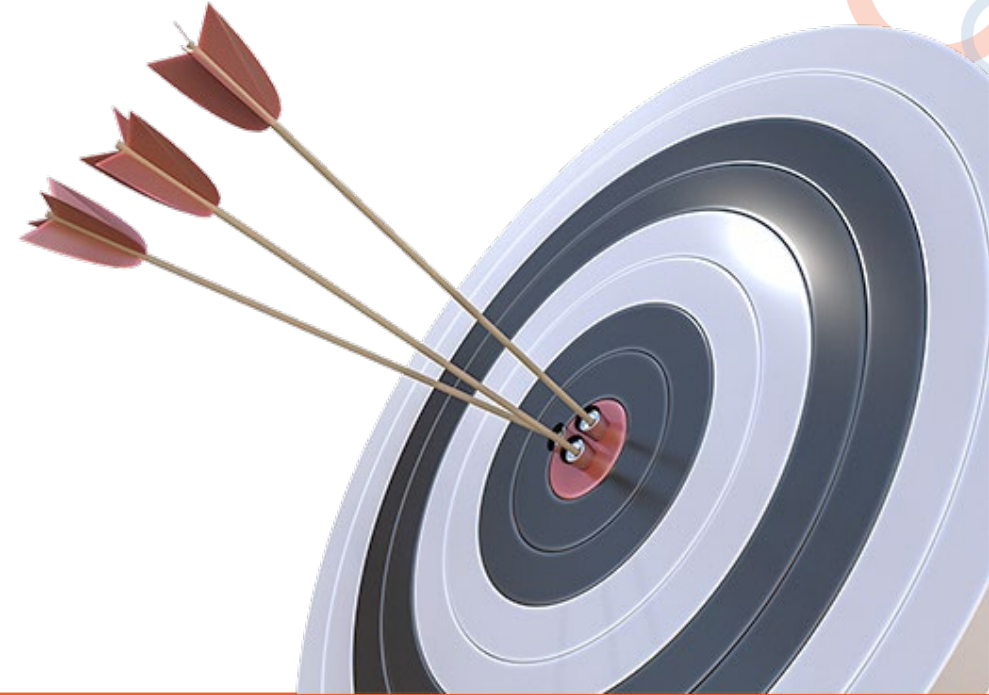
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Module Overview

- Audits.
 - Applicability, Purpose, and Dollar Threshold.
 - Grant Recipient and Pass-Through Entity (PTE) Responsibilities.
 - Types of Audits.
 - Audit Report Package.
- Audit Resolution Processes.
- Risks and SMART Practices.



S
M
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T

Audits



Applicability, Purpose, and Dollar Threshold

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 (see [2 CFR 2900.2](#) and [2 CFR 200.101\(a\)\(2\)](#)).

- › Foreign organizations and foreign public entities * (see [2 CFR 2900.2](#) and [2 CFR 200.101\(a\)\(2\)](#)).

Purpose and Dollar Threshold

- Set standards for obtaining consistency and uniformity among Federal agencies:
 - Audit grant recipients expending Federal awards.
 - Provides an overview of an organization's financial operations.
- An **Audit** is **NOT** intended to provide detailed financial coverage or in-depth review of individual programs/awards.
- Single Audit or program-specific audit is required.
 - For a non-Federal entity expending \$750,000 or more in Federal awards in a fiscal year ([2 CFR 200.501\(a\)](#)).



Grant Recipient and Pass- Through Entity (PTE) Responsibilities

Grant Recipient's Responsibilities

- Comply with laws, regulations, and provisions of contracts or grant agreements.
- Identify all Federal awards received and expended by program.
- Maintain internal control over Federal programs.
- Ensure audits are properly performed and submitted by due date.

Audit Preparation

- **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.
- **Promptly** follow up on corrective actions.
- **Provide access** to needed information to auditor.



Pass-Through Entity Responsibilities

[2 CFR 200.331\(c\)](#)

If you award monies to subrecipients then you must:

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

Types of Audits

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 Generally Accepted Government Auditing Standards (GAGAS) and [2 CFR 200.514](#).
 - Organizational-wide audit.
- Process of **collecting** and **evaluating** financial evidence to **formulate** an **independent, professional opinion** or other **judgment about assertions made by management**.
- U.S. Government Accountability Office (GAO) issues a compliance supplement for Federal awards updated on an annual basis – [Appendix XI of 2 CFR Part 200](#).

Program-Specific Audit and Other Alternatives

- Federal awards.
 - 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 audit guides may be available.
- Types of alternative audits are limited in scope and include agreed upon procedures audits.

Check Your Knowledge in 60 Seconds

Answer True or False

- 1) The dollar threshold for a single audit is \$1 million.
- 2) Grant recipients 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 Uniform Guidance standards if all Federal expenditures are from one Federal Program.





Audit Report Package

Report Package

Auditor's report(s), including any audit findings

Financial statements

Schedule of Expenditures of Federal Awards (SEFA)

Summary and status of prior year's findings

Corrective action plan prepared by grant recipient

Auditor's Data collection form (SF-SAC)

Signature attesting to compliance by senior official

Audit Report

2 CFR 200.515

- An opinion (or disclaimer) on **financial statements** and **Schedule of Expenditures of Federal Awards** (SEFA).
- An opinion 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 auditor's results.
 - Findings related to the financial statements.
 - Findings and questioned costs for Federal awards.

Opinion - Financial Statements

Unmodified Opinion...

the financial statements **are presented fairly in conformity with** Generally Accepted Accounting Principles (**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 sometimes include:

A significant deficiency...

is a control deficiency, or combination of control deficiencies, that **adversely** affects the **entity's ability** to **administer** a Federal program.

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.

Frequency

2 CFR 200.504

- Audits are performed annually.
 - **Biennial** audit exceptions continue for certain states.
 - Any state or local government that is required by constitution or statute to have its audits conducted less frequently than annually is permitted to undergo its audits biennially provided that such requirement was in effect on January 1, 1987 and is still in effect.

Submission Timing

- Submit SF-SAC data collection form (Appendix X of 2 CFR Part 200) and reporting package to FAC electronically within the earlier of:
 - One month after receipt of audit report or
 - Nine months after the end of the audit period (fiscal year).
- For-profit organizations must submit their audit packages directly to DOL-ETA.

Upcoming Changes

■ Audit year 2022 submissions.

- Census Federal Audit Clearinghouse (FAC) will continue to collect 2016 – 2022 submissions through September 30, 2023.
- As of 9/16/2022, add Unique Entity ID (UEI) to the Form SF-SAC.
 - › UEI replaced the DUNS number as of April 4, 2022.
 - › Census will collect Alternative Compliance Examination Engagements for Treasury State and Local Fiscal Recovery Fund (SLFRF) expenditures as outlined in OMB Compliance Supplement.

■ FAC Transition.

- FAC Administration will be transferred to the General Services Administration (GSA).
- To **contact GSA/TTS directly** on the FAC Transition, email fac@gsa.gov.

Submitting to FAC – Exception

2 CFR 200.512(b)(2)

- Indian Tribes or Tribal Organizations are an exception.
 - May opt to instruct the FAC no public access to the report package.
 - Must have audit reports available for review upon request.



Record Retention Period

- Grant recipients must make available upon request and retain a copy of the Data Collection form (SF-SAC) and reporting package
- Retention of documents:
 - Minimum three (3) years from submission to the FAC
 - May be extended if issues remain open



Audit Resolution Processes

Recipient/PTE Audit Resolution Process (1)

- Resolution Process – to resolve any findings that have arisen as a result of the audit.
 - It includes a decision either to accept or reject the auditor's findings.
 - Based on a review of the law, the regulations, and any explanatory information or additional documentation provided by the grant recipient.

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 exist, the recipient must prescribe standards and procedures to be used for this grant program.

Recipient/PTE Audit Resolution Process (2)

- Issue management decision.
 - Ensure corrective action.
 - Allow or disallow cost.
- Establish debt.
 - For its subrecipients, the pass-through entity must issue a management decision with 12 months of the audit acceptance by FAC ([2 CFR 2900.21](#)).
- [2 CFR 2900.21](#) – Pass-through entity (PTE) is responsible for issuing a management decision within twelve months of acceptance of the audit report by the FAC.
 - Grant recipient must initiate and proceed with corrective action as rapidly as possible.
 - Should begin corrective action no later than upon receipt of the audit report.

Management Decisions on Subrecipients

- 1) Grant recipients must issue a management decision that will document needed corrective action. The management decision:
 - **Must** clearly state whether the audit finding is sustained and the reasons for the decision.
 - **Should** establish time requirements.
 - **Should** describe any appeal process available to the grant recipient.
 - **Must** make use of stand-in-costs prior to issuing a final management decision.
- 2) [2 CFR 2900.21](#) – The grant recipient 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.
- 3) The pass-through entity (PTE) is only responsible for resolving audit findings that are audit findings specifically related to their subrecipient's subaward. They are not responsible for resolving cross-cutting findings. PTEs are also only responsible for issuing management decisions for applicable audit findings pertaining to its subaward ([2 CFR 200.332\(d\)\(3\)](#) and [2 CFR 200.322\(d\)\(4\)](#)).

Grant Recipient's Appeal Process

Uniform Guidance:

- No prescribed system but does require that grant recipients have a written process and 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's Cooperative Audit Resolution Process

[2 CFR 2900.20](#)

- At a minimum, the process includes Management Decisions:
 - An Initial Determination.
 - An Informal Resolution Process.
 - A Final Determination.
 - › [2 CFR 2900.21](#) and [2 CFR 2900.22](#).
- Time frames.
 - Within 180 days of receipt from the Federal Audit Clearinghouse (FAC).
 - Also used for regional or program office monitoring findings, OIG audit reports when appropriate or necessary.

DOL Initial Determination and Informal Resolution

- Review additional materials.
- Permissibility of questioned costs/activities.
- Administrative or system findings.
- Sufficiency of corrective actions proposed by the recipient.
- Determine the use of “stand-in” costs.
- Followed by a period of informal resolution.
- Promotes collaborative resolution between the Federal entity and grant recipient.

DOL Final Determination

[2 CFR 2900.20\(a\)\(3\)](#)

- Results of the informal resolution period.
- Matters where disagreement exists.
- Changes to facts stated in Initial Determination.
- Required corrective action.
- Sanctions.
- Appeal rights.

DOL's Appeal Process

2 CFR 2900.22

Appeal to head of grantor agency

- Within 21 days.
- Identify issues to be reviewed.
- Decision issued within 90 days.

Appeal to Administrative Law Judge

- Within 21 days.
- Identify issues to be reviewed.
- Decision issued within 90 days.
 - Exception to the decision within 21 days.
 - Identify procedure, and the finding of fact, law, or policy in dispute.
- Further limited appeal to Secretary of Labor.

Check Your Knowledge in 60 Seconds

Answer True or False

- 1) DOL uses a cooperative audit resolution process to resolve all audit findings.
- 2) Direct Recipients must also use DOL's cooperative audit resolution process.
- 3) The grant recipient 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.





Risks and SMART Practices

Common Risks

■ Examples:

- Not competitively procuring auditors for the past five years.
- Not having fiscal, grant, and supporting documentation available to auditors.
- Major programs are not correctly identified in SEFA or in the audit report.
- Lack of procedures for following up on prior audit findings, including subrecipients.



SMART Practices

- Develop or update procedures to hire a qualified auditor procured as prescribed by the Procurement Standards starting at [2 CFR 200.317](#).
- Establish adequate internal controls and systems that will allow for the preparation of 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 FAC.
- 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.

Questions?



Testing For Compliance – Core Monitoring Guide

The purpose of ETA monitoring is to assess compliance using the Core Monitoring Guide (CMG). Here is a list of indicators that were discussed during the module's topic.

■ **Objective 3.h: Audits and Audit Resolution**

- The grant recipient adheres to the single or program specific audit requirements and has an audit resolution process in place, including debt collection for its subrecipients.
 - › Indicator 3.h.1 – Audit Process
 - › Indicator 3.h.2 – Subrecipient's Audit
 - › Indicator 3.h.3 – Report on Internal Controls

Audit and Audit Resolution Resources

■ [Core Monitoring Guide PDF](#)

- [Audit Appeals \(Tool P\)](#)
- [Audit Resolution Tracking \(Tool Q\)](#)

■ [One – Stop Comprehensive Financial Management Technical Assistance Guide Part II PDF](#)

- *Chapter 12: Audit and Audit Resolution*

■ [Federal Audit Clearinghouse](#)

■ [Government Auditing Standards](#)

■ 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- 2 CFR 683.750](#)

■ [Uniform Guidance Crosswalk PDF](#)

■ Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200](#)

- [2 CFR 200.317- 2 CFR 200.321](#)
- [2 CFR 200.345](#)
- [Subpart F](#)

Thank You!