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# Office of State Controller Financial Conference

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1

## **Office of State Auditor (OSA) Grants Management/Single Audit Update**

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- ✓ Agency Responsibilities for Administration of Federal & State Grants
- ✓ Most Common Deficiencies
- ✓ Audits as Monitoring Tools
- ✓ Proposed Changes to Audits of Federal Grants

2

## Office of State Auditor (OSA) Federal & State Grants

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- ✓ \$23.3B - Federal Expenditures
  - ✓ \$3.8B – Expended by Subrecipients
- ✓ \$648M – State Grants Disbursed

3

## Office of State Auditor (OSA) Agency Responsibilities

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- ✓ Administration of Grants
  - ✓ State Administered
  - ✓ Pass-Thru – Subrecipient Administered
  - ✓ Combination

4

**Office of State Auditor (OSA)  
Agency Responsibilities**



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- ✓ Financial Responsibilities
  - ✓ Responsibilities for Administration of Grants

5

**Office of State Auditor (OSA)  
Agency Responsibilities  
Financial**



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- ✓ Record Transactions
  - ✓ Budget Code – Expenditures
  - ✓ Recording Revenue to the Extent Incurred Eligible Cost
  - ✓ Questioned Costs – Subrecipients
  - ✓ Receivables Recorded – Unreimbursed Expenditures
  - ✓ Intergovernmental Receivables – Timely Billing

6

**Office of State Auditor (OSA)  
Compliance Requirements  
Administration of Federal Grants**



- A. Activities Allowed/Unallowed
- B. Allowable Cost/Cost Principles
- C. Cash Management
- D. Davis-Bacon Act
- E. Eligibility
- F. Equipment and Real Property Management
- G. Matching, Level of Effort, Earmarking
- H. Period of Availability Federal Funds
- I. Procurement, Suspension & Debarment
- J. Program Income
- K. Real Property Acquisition, Relocation Assistance
- L. Reporting
- M. Subrecipient Monitoring
- N. Special Tests and Provisions

7

**Office of State Auditor (OSA)  
Compliance Requirements  
Administration of State Grants**



- ✓ Moneys Sent to Local Governments/Not-For-Profits
- ✓ Ensuring Moneys Properly Identified
- ✓ Grant Agreement/Program Requirements Passed to Recipient
- ✓ Monitoring
- ✓ Reporting

8

**Office of State Auditor (OSA)  
Most Common Deficiencies**



**A.- Activities Allowed/B. Allowable Costs**

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- ✓ Errors in Claims Payment
- ✓ Overpayments to Providers
- ✓ Private Insurance

9

**Office of State Auditor (OSA)  
Most Common Deficiencies**



**C. Cash Management**

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- ✓ Funds drawn on program that requires State Funds Spent initially and then reimbursement from federal funds
- ✓ The Agency/Department did not disburse federal dollars within 3 days of deposit

10

**Office of State Auditor (OSA)  
Most Common Deficiencies  
C. Cash Management**



- ✓ The Agency/Department did not have adequate monitoring procedures to ensure subrecipients disbursed federal funds in a timely manner as required by federal and state cash management requirements.
  
- ✓ Inappropriately advanced money to subrecipient

11

**Office of State Auditor (OSA)  
Most Common Deficiencies  
E. Eligibility**



- ✓ Third Party Insurance
- ✓ Person Not Eligible
- ✓ Missing Documentation of Eligibility Calculation
- ✓ Missing Required Client Documentation

12

**Office of State Auditor (OSA)  
Most Common Deficiencies**  
**L. Reporting**



- ✓ The Department submitted reports to the federal agency that were misstated.

13

**Office of State Auditor (OSA)  
Most Common Deficiencies**  
**L. Subrecipient Monitoring \***



- ✓ Federal Award Information Not Communicated to Subrecipient
- ✓ No Monitoring Plan
- ✓ Monitoring Reports Not Delivered
- ✓ Corrective Action Plans Not Received/Required
- ✓ Agencies/Departments did not ensure subrecipients took timely corrective action on issues noted during the fiscal on-site monitoring visits.

14

**Office of State Auditor (OSA)  
Most Common Deficiencies**



**L. Subrecipient Monitoring \***

- ✓ Departments Do Not Document Monitoring Procedures and Results
- ✓ All activity not reported to Pass-Through entities for inclusion in federal performance reports.
- ✓ Agencies/Departments did not ensure subrecipients timely corrective action taken on findings from fiscal on-site monitoring visits
- ✓ No System For Tracking Required Audit Reports

15

**Office of State Auditor (OSA)  
Most Common Deficiencies**



**L. Subrecipient Monitoring \***

- ✓ Registration in Central Contract Registration
- ✓ Monitoring Not Done in Accordance with Plan
- ✓ Population to be monitored not reconciled with those tracked for monitoring
- ✓ Department/Agency did not accurately report on its Schedule of Expenditures of Federal Awards amounts provided to subrecipients
- ✓ Monitoring Not Objective

16



**Office of State Auditor (OSA)  
Most Common Deficiencies**



**L. Subrecipient Monitoring \***

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- ✓ Accounting system cannot provide actual numbers for drawdown – made estimates – no waiver

17

**Office of State Auditor (OSA)  
Most Common Deficiencies**



**L. Subrecipient Monitoring \***

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- ✓ Audit as Monitoring Tool
- ✓ Audit of State Funds – nonprofits
- ✓ Identification of State Funds vs Federal Funds

18

**Office of State Auditor (OSA)  
Most Common Deficiencies  
Access Controls**

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- ✓ Departments/Agencies grant access to systems not within job/position responsibilities

19

**Office of State Auditor (OSA)  
Most Common Deficiencies  
Universities SFA**

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- ✓ Failure to Send Direct Loan Notifications
- ✓ Untimely Reconciliation of Direct Loan Disbursements

20

**Office of State Auditor (OSA)  
Most Common Deficiencies**



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- ✓ Repeat Findings

21

**Office of State Auditor (OSA)  
Most Common Deficiencies  
Changes to Audit of Federal Grants**



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- ✓ Streamline Related Circulars and Guidance
    - ✓ A-110 & A-102
    - ✓ A-21, A-87 & A-122

22

**Office of State Auditor (OSA)  
Most Common Deficiencies**  
**Changes to Audit of Federal Grants**

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- ✓ Raise Audit Threshold From \$500K to \$750K
- ✓ Revise Definition of Major Programs
- ✓ Reduce from 14 to 7 Compliance Requirements
- ✓ Strengthen Audit Follow Up
- ✓ Transparency With Audit Reports on Web

23

**Office of State Auditor (OSA)  
Most Common Deficiencies**  
**Changes to Audit of Federal Grants**

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- ✓ Raise Audit Threshold From \$500K to \$750K
  - ✓ May Reduce Number of Audits of Subrecipients

24

**Office of State Auditor (OSA)**  
**Most Common Deficiencies**  
**Changes to Audit of Federal Grants**

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- ✓ **Revise Definition of Major Programs**
  - ✓ Proposed Increase of Type A Programs from \$300,000 to \$500,000
  - ✓ Affects Programs with Expenditures < \$16,666,666
  - ✓ Could Reduce Number of Programs Audited
  - ✓ Process for Determining Programs to Audit is Simpler

25

**Office of State Auditor (OSA)**  
**Most Common Deficiencies**  
**Changes to Audit of Federal Grants**

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- ✓ **Reduce from 14 to 7 Compliance Requirements**
  - ✓ **A.** Activities Allowed/Unallowed; **B.** Allowable Costs/Cost Principles; **G.** Matching; **H.** Period of Availability of Federal Funds
  - ✓ **C.** Cash Management
  - ✓ **E.** Eligibility
  - ✓ **L.** Reporting
  - ✓ **M.** Subrecipient Monitoring
  - ✓ **N.** Special Tests & Provisions

26

**Office of State Auditor (OSA)**  
**Most Common Deficiencies**  
**Changes to Audit of Federal Grants**



- ✓ Strengthen Audit Follow Up
  - ✓ Agencies Designate Single Audit Accountable Official
- ✓ Corrective Action Plan Separate Document from Auditor Finding
- ✓ Finding Reminders
  - ✓ What Was Wrong
  - ✓ Frequency
  - ✓ Magnitude

27

**Office of State Auditor (OSA)**  
**Most Common Deficiencies**  
**Changes to Audit of Federal Grants**



- ✓ Transparency With Audit Reports on Web
  - ✓ Pass-Through Entity No Longer Required to Retain Subrecipient Audit

28

**Office of State Auditor (OSA)**  
**Most Common Deficiencies**  
**Changes to Audit of Federal Grants**



- ✓ Proposal Clarifies Subrecipient Monitoring

29

**Office of State Auditor (OSA)**  
**Grants Management/Single Audit Update**



Questions?



30