



Understanding Audits and Common Audit Findings

CNCS and OIG Oversight Activities

- The OIG conducts four to six audits of commissions and or subgrantees each year
- CNCS program and/or grants staff conduct about 10 monitoring site visits to commissions each year
- CNCS determines which commissions to conduct monitoring visits based on an annual assessment process
- CNCS site visit tools follow the procedures established under the Administrative Standards Reviews and are customized for the purpose of the site visit

Office of Inspector General Audits

- OIG audits and procedures are specific to CNCS awards however CNCS may share egregious cross-cutting findings with other federal agencies
- Auditors verify compliance with federal and CNCS regulations, grant terms and conditions, and program requirements, as well as the OMB regulations for federal assistance (2 C.F.R.)
- Are “Agreed-upon Procedures” or OIG Audits
- May be performed by independent accounting firms contracted to the CNCS OIG using Agreed Upon Procedures

Office of Inspector General Audits

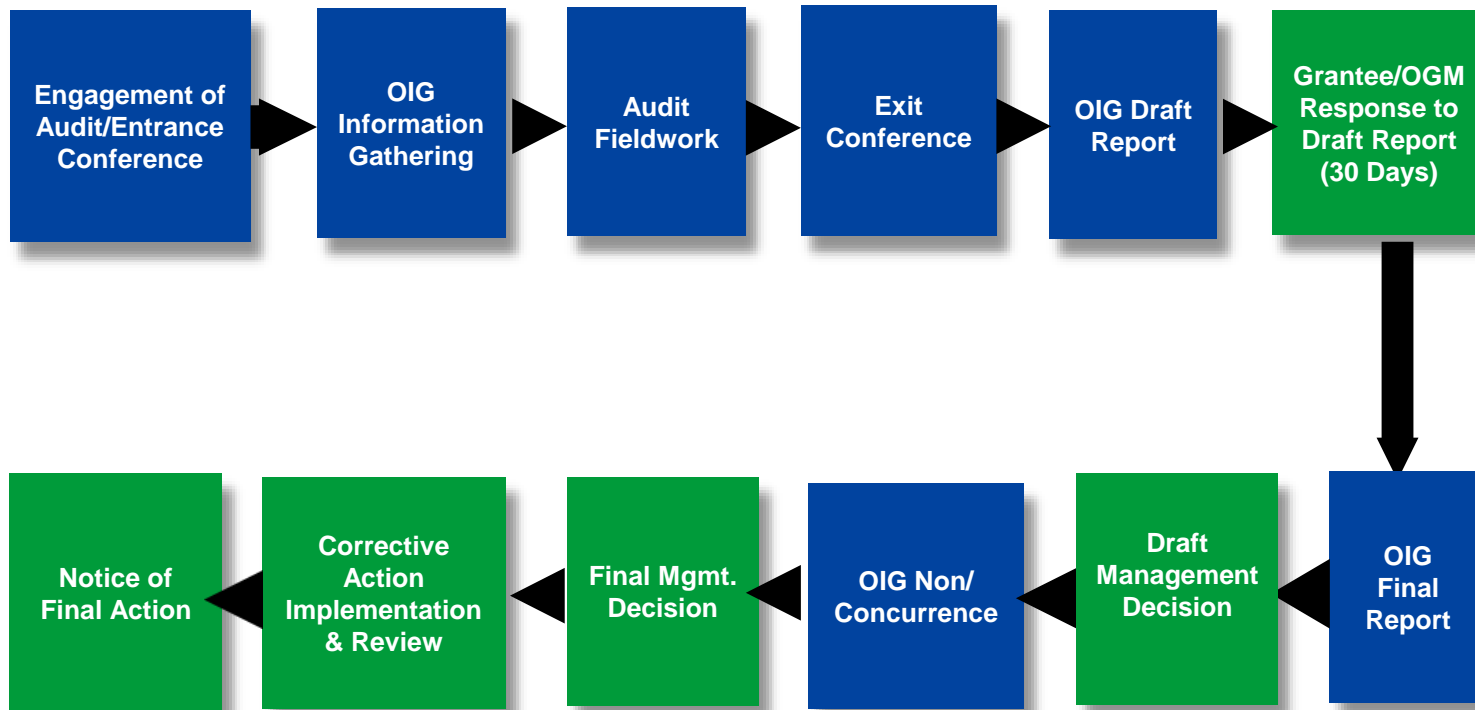
Review to See:

- If you have effective accounting procedures in place to manage federal awards
- If you maintain appropriate documentation to support all costs the organization charges to CNCS awards
- If you have written policies and procedures in place to comply with all requirements
- If you maintain a good internal control environment

Areas Reviewed in OIG Audits

- Review of written policies and procedures for both financial and program 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
- Review of program requirements are in compliance (i.e. CHC, timesheets, member files)
- All these same procedures at the selected subset of your subgrantees

Process Overview of OIG Audit and Resolution



When do you begin preparing for an OIG Audit?

- Starts when you receive a Corporation grant award
 - When you get the grant, review all requirements and develop written policies and procedures to comply with them. Handbooks are very useful.
 - Train subgrantees on all grant requirements
 - Establish a robust monitoring process to ensure they have systems in place to comply with all grant provisions and regulations
 - Have systems in place to regularly review files and documentation

When you receive notification from the OIG that your organization has been selected for an audit:

- Determine what years the audit will cover (Audits usually cover a two or three-year period back from the most recently submitted FFR)
- Pull files from storage if you have already archived them for the years to be audited
- Notify your subgrantees
- Gather your policies and procedures
- Ensure your FFRs are reconciled to your financial records
- Ensure your PERs reconcile with your FFRs

During the Audit Information Gathering and Fieldwork

- ❑ Be available to the auditors to answer questions and provide documentation
- ❑ Contact the Corporation for policy clarification, if needed
- ❑ Attend the entrance and exit conference at each subgrantee
- ❑ Check in with your subgrantee during the auditor's field work
- ❑ Immediately begin taking corrective action on issues identified

When the Draft Audit Report is issued:

- Respond to all the audit findings and recommendations within 30 days
- Provide factual corrections not excuses
- Provide CNCS audit resolution with documentation to support disagreement with findings
- Develop and implement a corrective action plan to address the findings and recommendations

Final Report and Audit Resolution

- The Final Audit Report contains a summary of responses from CNCS and the auditee. The full responses are in an attachment to the final report.
- Audit resolution starts during the audit
- CNCS decides which questioned costs to allow or disallow
- CNCS audit resolution works with the auditee to address all findings and recommendations and develop a corrective action plan
- CNCS audit resolution writes a formal management decision that is due to the OIG six months after the audit is issued
- CNCS audit resolution ensures the grantee completes all corrective action within 12 months of the date the audit was issued



Common Findings, Consequences, and Preventive Actions

Finding - Subgrantee Monitoring

- **Finding:** Grantee does not have adequate monitoring procedures in place to ensure subgrantee systems can manage Federal funds and comply with all program requirements
 - For example: subgrantee monitoring plan is not implemented; no documentation of monitoring; or follow-up to resolve findings
- **Potential Consequences:** Grantee can lose Federal funds due to unallowable, undocumented subgrantee costs and/or inadequacies of subgrantee financial accounting system & practices and/or failure to meet match

Finding - Subgrantee Monitoring: Preventative Actions

Preventive Actions:

- The primary grantee should develop **monitoring protocols** that ensure subgrantee compliance and fiscal performance
- The primary grantee should develop processes to define follow through in cases of non-compliance. Processes should outline consequences for non-compliance.
- Efforts should focus on:
 1. Pre-Award
 2. Post-Award

Finding - Subgrantee Monitoring: Pre-award Actions

Pre-award

- Survey the potential subgrantee's accounting system, policies procedures & internal controls
- Review organization's single audit report and, if applicable, the IRS Form 990
- Ascertain experience with Federal, state and/or foundation grants & project cost accounting
- Construct a well-developed subgrantee agreement/contract incorporating required Federal and any state provisions
- Use information to develop a fiscal, technical assistance or corrective action plan, if needed
- Develop a *risk-based monitoring strategy*

Finding - Subgrantee Monitoring: Post-award Actions

Post-award

- Provide start-up training
- Implement early desk and site reviews for higher risk subs,
- Develop a robust monitoring tool
- Provide timely feedback to subgrantees from all reviews including positives and improvement needed
- Establish corrective action plans, where needed, with specific expectations and timelines
- Follow up on a regular basis
- Take action when necessary, including withholding payments or notification of suspension or termination when warranted

Finding – Internal Controls

Financial Systems and Internal Controls Findings:

- ❑ Accounting systems and internal controls are inadequate to report grant expenditures, or management controls are insufficient to safeguard Federal funds
- ❑ Financial reporting is incomplete, most recent single audit report has not been sent to the Federal Clearinghouse yet
- ❑ Records do not identify cost by programmatic year, by budget line item, or do not differentiate between direct and indirect costs or administrative costs
- ❑ Lack of written **policies and procedures**
- ❑ Inadequate internal controls for separation of duties

Potential Consequences: Grantee can lose or have Federal funds suspended due to unallowable, undocumented subgrantee costs and/or inadequacies of subgrantee financial accounting system & practices

Finding - Member Eligibility

Finding: Lack of documentation of:

- Member's eligibility/age
- Criminal record/sex offender check
 - **Note:** All members and staff being paid under a federal award **must** have a completed NSPOW and initiated a National Criminal History Check **PRIOR TO START OF SERVICE OR BEING PAID UNDER THE AWARD**. This includes any staff paid under matching funds.
 - Verification of “hits” of same names on NSOPW and Criminal History not sufficiently notated.
 - Legal name not checked – Use official ID
 - Don't have approved alternative search protocol
- U.S. Citizen or Permanent Resident Alien

Finding - Member Eligibility – Potential Consequences

Potential Consequences

- ❑ All payments (any living allowance, health/child care or other or other member reimbursements) disallowed
- ❑ Education Awards for eligible participants disallowed
- ❑ Extent and severity of findings could result in grant termination or other actions
- ❑ If all/most participants are undocumented or ineligible, all grant funds may be disallowed

Finding - Member Eligibility: Preventive Actions

Preventive Actions

- Ensure staff understand and are trained on all regulatory requirements
- Document age eligibility, educational attainment and any related agreement and preserve copies of documents
- Conduct appropriate National Service Criminal History Checks
 - Understand requirements for staff & participants
 - On all grant-funded (including match) staff & enrolled members
- Understand and document *program specific* participant requirements for eligibility, such as qualifications for tutoring programs or for professional corps - *high school or other degree & curriculum requirements*

Finding - Member Eligibility: Preventative Actions Cont.

- Create written policies and procedures that clearly delineate the requirements for eligibility documentation, screening, and maintenance of records
- Initiate necessary reviews, decisions on eligibility and final signoff for ‘enrolling’ participants
- Incorporate internal controls that provide review of decisions and documentation by the Project Director, in addition to someone else at a higher level
- Conduct periodic sampling of participant files

Finding - Time & Attendance – Members

Finding - Timesheets:

- Not signed by supervisor and participant
- Don't add correctly
- Missing timesheets
- Not dated or date is before end of time period

AmeriCorps Members:

- Training/fundraising hours are not segregated or hours exceed limits
- Timesheets do not support certification of hours for education award

Finding - Time & Attendance – Staff Activity Reports *(Not applicable to Fixed-Amount Grants)*

Finding:

- Inadequate time and activity documentation to support charges to the grant of a non-profit
 - Salaries and wages charged to the grant for NON-PROFITS:
 - On the basis of budgeted amounts
 - Based on estimates
 - On the basis of the specific grant activity only, when also involved in other activities
 - Unsigned timesheets
 - Time not allocated among various activities
 - Rules for HIGHER ED grantees vary to some degree

Finding - Time & Attendance – Staff Activity : Preventive Actions

Preventive Actions:

- Use timesheets that align with the payroll period to report all activities of the employee, both on the grant and other projects
- Best practice - Implement procedures whereby timesheets are reviewed and approved by a second party before sent to payroll
- Whether treated as direct or indirect costs, or paid by Federal funds or match, timesheet must:
 - Be maintained for all staff (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards
 - Reflect an after-the-fact determination of the employee actual activity (not budgeted)
 - Account for the total activity of each employee
 - Be signed by the employee or supervisor having first hand knowledge
 - Be prepared at least monthly and must coincide with one or more pay periods

Finding - Match (not applicable to Fixed-Amount Grants)

Findings

- ❑ Match not met, undocumented, unallowable, unreasonable, not approved in budget or uses unauthorized Federal funds:
 - Cash & in-kind not supported by adequate documentation or verifiable grantee records
 - Other Federal funds used as match
 - Match claimed was not necessary to operate grant or outside of grant period

Finding – Match: Requirements

- The same requirements apply to match as to all Federal costs. All costs must be:
 - Allowable
 - Allocable
 - Reasonable
 - Consistently Applied
 - Expensed in the accounting system
 - Supported by adequate & appropriate documentation

Finding – Match: Potential Consequences & Preventive Actions

Potential Consequences

- Undocumented, unmet or unacceptable match can reduce some or all of the allowable costs paid with Federal funds by the amount of required match not met for the program

Preventive Actions

- Know the statutory, regulatory and other match requirements
 - **For AmeriCorps:**
 - Minimum statutory match of 24% for new grantees
 - Statutory match for subsequent years of AmeriCorps grants increasing from 24% to 50%

Finding - Match – In-Kind: Preventive Actions

□ Ensure in-kind match documentation includes:

- Name and signature (if possible) of the donor
- Date and location of donation
- Detailed description of contributed item or service
- Estimated value of contribution, how value was determined, and who made the determination

Finding – Match: Preventive Actions

- ❑ Maintain all documentation of match and ensure any subgrantees do also
- ❑ Apply the same standards of documentation, allowability, allocability, and reasonableness for match expenditures as for Federal funds
- ❑ Do not record in-kind or other match until the documentation is obtained and sufficient
- ❑ Record claimed in-kind match in the accounting system required by financial accounting standards (FASB 116) = *nonprofit* organizations
- ❑ Do not record the same costs on two separate National Service programs either as match or direct expenses or combination thereof

Finding - Expenditures & Reconciliation

(Excludes Fixed-Amount Grants)

- **Findings:** Grantees/subgrantees not reconciling expenditures in their accounting systems to amounts in SF-425 FFR (Federal Financial Report)
- **Potential Consequences:** Costs not allowed for differences between accounting system and FFR
- **Preventive Actions:**
 - By policy, regularly reconcile differences among the reports and the accounting system
 - Prepare cross-walks, if necessary, to track FFR reports to the accounting system detail and HHS



Questions?



Rhonda Honegger
Senior Grants Officer
Audit Resolution
Corporation for National & Community
Service
250 E St SW
Washington DC 20525
rhonegger@cns.gov
Office: 202-606-6966