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.
• 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

1. Engagement of Audit/Entrance Conference
2. OIG Information Gathering
3. Audit Fieldwork
4. Exit Conference
5. OIG Draft Report
7. Notice of Final Action
8. Corrective Action Implementation & Review
9. Final Mgmt. Decision
10. OIG Non/Concurrence
11. Draft Management Decision
12. OIG Final Report

Process Flow:
- Engagement of Audit/Entrance Conference
- OIG Information Gathering
- Audit Fieldwork
- Exit Conference
- OIG Draft Report
- Grantee/OGM Response to Draft Report (30 Days)
- Notice of Final Action
- Corrective Action Implementation & Review
- Final Mgmt. Decision
- OIG Non/Concurrence
- Draft Management Decision
- OIG Final Report
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: 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
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
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