

Prepared for an Audit?



Ronald Larry
Program Analyst
Atlanta Audit Office



AGENDA

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

AGENDA

- OIG MISSION STATEMENT
- Selection for Audit
- Preparation for an Audit
- The Audit Process
- Internal Controls
- Allowable Cost
- Program Income/Credits
- Audit Findings
- Questioned or Disallowed Cost
- Questions and Answers

The image features a vertical strip on the left side showing the stars and stripes of the United States flag. The stars are white on a dark blue background, and the stripes are red and white. The rest of the slide has a dark blue background.

OIG MISSION STATEMENT

- The Office of Inspector General serves the American worker and taxpayer by conducting audits and investigations that result in improvements in the effectiveness, efficiency and economy of Departmental programs and operations.
- We detect and prevent fraud, waste, and abuse in DOL programs.
- We also conduct investigations into labor racketeering in the American workplace.
- Finally, we provide advice to the Secretary and the Congress on how to attain the highest possible program performance.



Selection for Audit

The image features a vertical strip on the left side showing the stars and stripes of the United States flag. The stars are white on a dark blue background, and the stripes are red and white. The rest of the slide has a dark blue background with a red horizontal bar at the top.

Selection for audit

- OIG prioritizes potential areas based on a risk assessment that considers program dollar size, vulnerability to abuse, potential impact on the public, and prior audit and investigative history – develops a comprehensive, coordinated strategy to address those high-priority areas.
- After consideration of the availability of OIG staff resources and any planned initiatives of other government entities, we develops our annual work plan of initiatives.
- Hotline, Congressional, or Other Request

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

Preparation for an Audit

- Planning for audit should start with grant application
- Be familiar with:
 - Applicable federal grant management regulations
 - Applicable cost principles
 - Terms and conditions of the grant
- Implement internal controls to ensure compliance with applicable requirements

The image features a vertical strip on the left side showing the stars and stripes of the United States flag. The top part shows white stars on a dark blue field, and the bottom part shows red and white stripes.

The Audit Reporting Process

- Statement of Facts
- Discussion Draft Report
- Draft Report

- Auditee's Formal Written Comments
 - Don't Include Names or Privacy Information

- Final Audit Report

- Audit Resolution
 - Finding and Determination by Grant Officer
 - Corrective Actions on Management Findings
 - Repay Questioned Costs
 - Appeals



INTERNAL CONTROLS

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

Internal Control Objectives

- Integral component of an management.
- Provides reasonable assurance that the following objectives will be met.
 - Effectiveness and efficiency of operations.
 - Reliability of financial ad program results reporting.
 - Compliance with laws and regulations.

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

Examples of Control Activities

- Top level reviews of actual performance.
- Reviews by management at the all levels.
- Management of human capital.
- Controls over information processing.
- Physical control over vulnerable assets.
- Establishment and review of performance measures and indicators.

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

Examples of Control Activities

- Segregation of duties.
- Proper execution of transaction and events.
- Accurate and timely recording of transactions, and events.
- Access restrictions to and accountability for resources and records.
- Appropriate documentation of transactions and internal control.



ALLOWABLE COSTS

TYPES OF COSTS

- **DIRECT COSTS** - costs that can be identified specifically with a particular cost objective.
 - (E.G., A particular award, project, service, or other direct activity of any organization).
- **INDIRECT COSTS** - costs that have been incurred for common or joint objectives and cannot be readily identified with a particular cost objective.
 - Allocated based on indirect cost plan and uses a rate expressed as a percentage of a direct cost base (e.G. Salaries).

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

ALLOWABILITY OF COSTS

- Reasonable and necessary for the program.
- Allocable under applicable cost principles and **BASED ON BENEFITS RECEIVED.**
- Conform to any limitations or exclusions.
- Consistent treatment.
- Not used to meet matching requirements of any other federally financed program.
- Adequately documented.

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

PROGRAM INCOME/ CREDITS

- **CREDITS** - receipts, or reductions of expenditures which offset or reduce expense items that are allocable to awards as direct or indirect costs.
- **PROGRAM INCOME** - receipts from goods or services funded by the grant and interest income earned on funds received from the grant (e.G. Including conferences).
- May be retained only if used to carry out program.

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

PRIOR APPROVAL

- Seek a written agreement with the cognizant agency in advance of the incurrence of the costs if you have questions.
- As a general rule, the grant/contracting officer is not authorized to authorize costs inconsistent with applicable cost principles.
- Equipment, publications, changes performance goals or budget.



AUDIT FINDINGS

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

SOME AUDIT FINDINGS

- **INDIRECT COST ALLOCATION** - costs were not allocated equitably to all benefiting activities, or not being allocated based on methodology.
- **TRAVEL EXPENSES** - travel was of a personal nature or exceeded reimbursement limits.
- **PLACEMENTS** - participants were not placed or placed in employment which did not accomplish stated goals.

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

SOME AUDIT FINDINGS (Cont'd)

- **ON-THE-JOB TRAINING** - OJT participants not paid the reported wage or OJT was of limited value to allow participants to improve future employment and earnings.
- **FINANCIAL OR PERFORMANCE** – Inaccurate reports, unable to reconcile to system totals.

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

SOME AUDIT FINDINGS (Cont'd)

- **IMPROPER CHARGES** - Direct or indirect costs unrelated to the program were being charged.
- **CONTRACTING** – Not obtaining required bids, no review of invoices or lack of monitoring subcontractors.
- **INFORMATION TECHNOLOGY** – security, privacy and piracy concerns.



CONCLUSION

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

AUDIT READINESS

- Begins when an organization applies for funds.
- Continues while funds are properly spent and accounted for through good internal controls and management oversight.
- Occurs when an organization is prepared to undergo an audit that will disclose that the funds are used properly.

A vertical strip of the American flag is visible on the left side of the slide, showing the stars and stripes.

ASK YOURSELF

A good question to ask yourself
if unsure
of an allowable cost or activity.

How will this look to my family
when they read about it
in the newspaper?

REFERENCES

- To obtain copies of:

Government Auditing Standards and Standards
for Internal Control in the Federal Government
See GAO's Web Site at: <http://www.gao.gov>

- To obtain information on:

OMB Cost and Single Audit Circulars
See OMB's Web Site at:
<http://www.whitehouse.gov/OMB/grants/index.html>



QUESTIONS