

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



**PUBLIC
RELEASE**

BUREAU OF THE CENSUS

*Agreed-Upon Procedures and Results
Assessment of Federal Audit
Clearinghouse Database
Fiscal Year 1998 Audit Reports*

Final Audit Report No. ATL-12556-0-0001/July 2000

Office of Audits, Atlanta Regional Office



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EXECUTIVE SUMMARY

The Office of Management and Budget (OMB) requested that the Department of Commerce, Office of Inspector General, perform an agreed-upon procedures engagement to assess the integrity of the Federal Audit Clearinghouse (Clearinghouse) Database. The Congress has given OMB statutory authority for implementing the Single Audit Act Amendments of 1996. OMB implemented the Amendments through the issuance of its Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. In the circular, OMB authorized the Bureau of the Census to operate the Clearinghouse, which serves as a repository for Single Audit reports and an audit processing service and data dissemination system for the entire Federal grant community.

Our objective in this engagement was to perform specified agreed-upon procedures to assist OMB, the Census Bureau, and other specified users (listed in Appendix III) in assessing the accuracy of the information in the Clearinghouse Database for fiscal year 1998 audit reports. The results are described in the Agreed-Upon Procedures and Results section of this report. These procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of the specified users of this report.

In summary, we performed agreed-upon procedures to:

- Verify the completeness of the reporting packages.
- Compare the information in the Clearinghouse Database with the information provided to the Clearinghouse on the *Data Collection Form for Reporting on Audits of States, Local Governments and Non-Profit Organizations* (Data Collection Form) and in the reporting package.
- Verify that all audit findings reflected in the Single Audit reports were also included in the Clearinghouse Database.

We used a two-stage attribute sampling plan developed by the Department of Labor, Office of Inspector General, to achieve a sample that was representative of the universe of 1998 Single Audit reports and the Catalog of Federal Domestic Assistance (CFDA) program entries in the Clearinghouse Database. The sampling methodology used in the selection of 150 reports, known as the stage I sample, and the selection of 2,559 individual CFDA program entries, known as the stage II sample, is described in Appendix I.

Specifically, the results of the agreed-upon procedures are summarized as follows:

- We reviewed the 150 audit reports selected in the stage I sample to test the completeness of the reporting package. In two audit reports, we found the auditor did not include a required element. The missing element in each instance was the Auditor's Opinion on the Supplementary Schedule of Expenditures of Federal Awards. The details of the errors can be found in Table 1 of the Agreed-Upon Procedures and Results section of this report.
- We compared the information in the Database with the information provided on the Data Collection Form and in the reporting package for the 150 Single Audit reports and the 2,559 CFDA program entries selected as part of our sample. The sample sizes for the two-stage attribute sampling plan resulted in the testing of 22,563 data elements in which we found 370 errors. Of the 370 errors, 126 were attributable to the Clearinghouse, and 244 to the auditors and auditees. Of the 126 Clearinghouse errors, we found 41 made by the data entry operators and 85 that resulted from programming problems in transferring information from the Clearinghouse Database to the Clearinghouse website. The 244 errors attributable to the auditors and auditees were due to incorrect or incomplete Data Collection Forms or missing data elements in the preparation of the Auditor's Summary. The calculation of the attributes (data elements) tested and the details of the errors can be found in Tables 2 through 6 of the Agreed-Upon Procedures and Results section of this report.
- We verified that all audit findings reflected in the 150 sampled Single Audit reports reviewed were included in the Clearinghouse Database. We found four reports that had findings omitted from the Database. We classified these reports as having critical errors. The details of the errors can be found in Table 7 of the Agreed-Upon Procedures and Results section of this report.

Projections were made for the data elements and reports where errors were found, and a table detailing the error projections is included as Appendix II. All statistical projections fell within the tolerable error rate established by our statistical sampling plan with the exception of the following three areas: (1) designation of cognizant or oversight agency for audit, (2) identification of Federal agencies receiving the reporting package, and (3) accurate completion of several data elements on the Auditor's Summary.

In response to the draft report, Census officials fully agreed with the results of the Agreed-Upon Procedures engagement. The Bureau explained that the Clearinghouse developed the audit report database with the close guidance of OMB and the federal agency sponsors. Given the complexities of the electronic system and related operating procedures involved in this effort, the Bureau was pleased to hear that the overall accuracy of its work was confirmed by our review, and stated that corrections are in progress for the isolated keying errors and program problems reported.

INTRODUCTION

The Office of Management and Budget (OMB) has statutory authority for implementing the Single Audit Act Amendments of 1996. OMB implemented the Amendments through the issuance of its Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* which requires entities receiving \$300,000 or more in federal funds to have an annual Single Audit performed. The Circular authorizes a Federal clearinghouse to receive these audit reports. OMB chose the Bureau of the Census to operate the Federal Audit Clearinghouse (Clearinghouse). Our objective was to perform specified agreed-upon procedures to assist OMB, the Census Bureau, and other specified users (listed in Appendix III) in assessing the accuracy of the information in the Clearinghouse Database for fiscal year 1998 audit reports.

The Clearinghouse collects completed Single Audit reporting packages from auditees that are required to have Single Audits performed under Circular A-133. Auditees must submit one complete reporting package for the Clearinghouse archives, additional copies for the Clearinghouse to distribute to Federal awarding agencies whose direct Federal awards are affected by findings in the auditor's report, and a completed *Data Collection Form for Reporting on Audits of States, Local Governments and Non-Profit Organizations* (Data Collection Form). Once the Clearinghouse receives an auditee's reporting package and Data Collection Form, it is responsible for distributing the reporting package to the Federal awarding agencies identified on the Data Collection Form.

The Clearinghouse serves as a repository for Single Audit reports and an audit processing service and data dissemination system for the entire Federal grant community. Using the information from the Data Collection Form, the Clearinghouse is responsible for incorporating information about each auditee, its Federal awards, and audit results into a government-wide database. The Clearinghouse Database's coverage begins with audit information for fiscal years ending on or after June 30, 1997, and can be downloaded from or viewed directly on the Clearinghouse's website at <http://harvester.census.gov/sac>.

OFFICE OF INSPECTOR GENERAL'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures described in the Agreed-Upon Procedures and Results section of this report at the request of OMB. These procedures were agreed to by OMB, the Census Bureau, and other specified agencies (listed in Appendix III). We performed these procedures solely to assist the specified users with assessing the accuracy and completeness of the auditee's fiscal year 1998 information in the Clearinghouse's Database as compared to the Data Collection Form and the reporting packages submitted by Federal award recipients as required by OMB Circular A-133. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures therein, either for the purpose for which this report has been requested or for any other purpose. The procedures and results of these procedures are described in the Agreed-Upon Procedures and Results section of this report.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the completeness and accuracy of the information in the Clearinghouse Database as compared to the submitted reporting packages. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of OMB, the Census Bureau, and the Federal agencies listed in Appendix III and is not intended to be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures.

We conducted the engagement's fieldwork at the Federal Audit Clearinghouse in Jeffersonville, Indiana, from December 1999 through January 2000. The sample selected for the engagement was taken from the 18,992 audit reports included in the Clearinghouse Database as of October 26, 1999, with the auditee's financial statement period ended during calendar year 1998.

In June 2000, we issued a draft report to Census for its review and comment. We have summarized the Bureau's response in the Agreed-Upon Procedures and Results section of this report, and have included the complete response as Appendix V.

AGREED-UPON PROCEDURES AND RESULTS

Our assessment of the accuracy and completeness of the information included in the Clearinghouse Database involved performing specific procedures in the following areas: (1) verifying the completeness of the reporting package, (2) comparing the information in the Clearinghouse Database with the information provided to the Clearinghouse on the *Data Collection Form for Reporting on Audits of States, Local Governments and Non-Profit Organizations* and in the Single Audit reporting package, and (3) verifying that all audit findings reflected in the Single Audit reports were also included in the Clearinghouse Database. These agreed-upon procedures and results of the procedures are discussed in sections I through III of this report.

We utilized a two-stage attribute sampling plan developed by the Department of Labor, Office of Inspector General, to achieve a sample that was representative of the individual Catalog of Federal Domestic Assistance (CFDA) program entries in the Database; the sampling plan is described in Appendix I. The stage I sample consisted of 150 individual Single Audit reports entered in the Clearinghouse Database as of October 26, 1999, with a financial statement period ended during calendar year 1998. The stage II sample consisted of 2,559 individual CFDA program entries associated with the 150 Single Audit reports selected in the stage I sample.

For stage I, the sampling plan utilized a stratified random attribute sample. The strata and sample sizes per stratum were as follows:

<i>Stratum</i>	<i>Range</i>		<i>Number of Single Audit Reports</i>	<i>Direct Federal Awards and Pass-Through Funds Expended</i>	<i>Sample Size</i>	<i>Federal Awards Expended in the Sample</i>
1	\$ 300,000	\$ 24,999,999	18,462	\$ 43,755,959,245	100	\$ 365,865,804
2	25,000,000	499,999,999	479	40,576,648,235	30	2,810,560,904
3	500,000,000	~	51	261,230,895,285	20	126,628,161,225
Totals			18,992	\$345,563,502,765¹	150	\$129,804,587,933

¹ The expenditure amount claimed in the Database includes an undeterminable amount of double counting because the Data Collection Form does not capture whether expenditures are from funds received directly from the Federal government or indirectly from a pass-through entity. For example, a State may receive a \$1 million grant and pass-through \$500,000 of this grant to local governments. In this case, the database would show \$1.5 million in expenditures; \$1 million for the State and \$500,000 for the local governments.

For stage II, the sampling plan was designed to test up to 50 CFDA program entries for each Single Audit report selected in stage I.

<i>Stratum</i>	<i>CFDA Program Entries in Population</i>	<i>CFDA Program Entries in Stage I Sample</i>	<i>CFDA Program Entries in Stage II Sample</i>
1	147,289	910	910
2	29,896	1,030	790
3	24,483	10,950	859
Totals	201,668	12,890	2,559

The errors identified when applying the agreed-upon procedures to the two-stage sample can be found in Tables 1 through 7 of this report. Projections were made for the data elements where errors were found, and a table detailing the error projections is included as Appendix II. All statistical projections fell within the tolerable error rate established by our statistical sampling plan with the exception of the following three areas: (1) designation of cognizant or oversight agency for audit, (2) identification of Federal agencies receiving the reporting package, and (3) accurate completion of several data elements on the Auditor's Summary.

I. COMPLETENESS OF THE REPORTING PACKAGE

Overview of Results

We reviewed the 150 audit reports selected in the stage I sample to test the completeness of the reporting package. In two audit reports, we found the auditor did not include a required element. The missing element in each instance was the Auditor’s Opinion on the Supplementary Schedule of Expenditures of Federal Awards. The calculation of the attributes (data elements) tested, and the details of the errors can be found in Table 1 below. Projections were made for the data elements where errors were found, and a table detailing the error projections is included as Appendix II.

Procedures and Results

Table 1

<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
<p>Verify that each reporting package selected as part of the stage I sample includes the following elements.</p> <ol style="list-style-type: none"> 1. Financial Statements. 2. Schedule of Expenditures of Federal Awards (SEFA). 3. Independent Auditor’s Opinion on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards (Auditor’s Report One). 4. Report on Compliance and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements in Accordance with Government Auditing Standards (Auditor’s Report Two). 5. Report on Compliance with Requirements Applicable to Each Major Program and on Internal Controls over Compliance in Accordance with OMB Circular A-133 (Auditor’s Report Three). 6. Schedule of Findings and Questioned Costs. 7. Corrective Action Plan (CAP) for current year audit findings. 8. Summary Schedule of Prior Audit Findings (Prior Year Findings) may be included although they are not always required. 	<p>We found 2 errors out of a possible 1,200 attributes tested for Table 1. We calculated the attributes tested by multiplying the report’s elements by the sample of 150 (8 * 150 = 1,200).</p> <p>Two reports of the 150 single audit reports reviewed had a missing element. The missing element for each report was the auditor’s opinion on the SEFA.</p>

II. ACCURACY OF DATA ELEMENTS IN THE CLEARINGHOUSE DATABASE

Overview of Results

We compared the information in the Database with the information provided on the Data Collection Form and in the reporting package for the 150 Single Audit reports and the 2,559 CFDA program entries selected as part of our sample. The sample sizes established in the sampling plan resulted in the testing of 22,563 data elements in which we found 370 errors. Of the 370 errors, 126 were attributable to the Clearinghouse, and 244 to the auditors and auditees. Of the 126 Clearinghouse errors, we found 41 made by the data entry operators and 85 resulted from programming problems in transferring information from the Clearinghouse Database to the Clearinghouse website. The 244 errors attributable to the auditors and auditees were due to incorrect or incomplete Data Collection Forms or missing data elements in the preparation of the Auditor's Summary. The calculation of the attributes (data elements) tested and details of the errors can be found in Tables 2 through 6 of the Agreed-Upon Procedures and Results section of this report.

Projections were made for the data elements where errors were found and a table detailing the error projections is included as Appendix II.

Procedures and Results

We have defined the Clearinghouse database elements by reference to the applicable item of Data Collection Form. Tables 2 through 6 report on the agreed-upon procedures performed to test the accuracy of the data elements in the Clearinghouse Database.

For each element listed in Tables 2 through 6, we compared the information in the Clearinghouse Database as retrieved from the Clearinghouse website with the information found on the Data Collection Form and in the reporting package. For dollar amount data elements, we did not consider a difference of \$100 or less to be an error. We determined whether errors noted were the result of mistakes made by the Clearinghouse or by the auditor/auditee in completing the Data Collection Form or other parts of the reporting package.

Table 2

DATA COLLECTION FORM Part I - General Information		
<i>Agreed-Upon Procedures Performed</i>		<i>Results of Procedures.</i>
Item 1	Fiscal Year Ending Date Compared with Auditor's Report One.	<p>We found a total of 31 errors in the 1,950 attributes tested for Table 2. We calculated the attributes tested by multiplying the items listed in this table by the sample of 150 (13 * 150 = 1,950).</p> <p>Item 3 We found 3 errors in the website's display of the audit period. While the audit period appeared in the Clearinghouse Database correctly, it was blank on the website's view screen. This programming problem has been corrected.</p> <p>Items 6 and 7 We found that the Clearinghouse made 9 data entry errors involving the auditee's and auditor's name and address. These data entry errors included misspelled names and incorrect and incomplete addresses.</p> <p>Item 8 We found 18 errors in Item 8. Of these 18 errors, 17 were made by the auditee in determining whether a Federal agency was cognizant or oversight and 1 typographical error was made by the Clearinghouse. In 14 instances, cognizant was entered into the Database when oversight should have been entered; and, in 4 instances, oversight was entered into the Database when cognizant should have been entered.</p> <p>Item 9 We found 1 error in Item 9. The Clearinghouse did not correctly enter the Federal cognizant agency as marked on the Data Collection Form.</p>
Item 2	Type of Circular A-133 Audit Compared with Auditor's Report Three.	
Item 3	Audit Period Covered Compared with Auditor's Report One.	
Item 5(a)	Auditee EIN Compared with Data Collection Form.	
Item 5(b)	Multiple EINs Compared with Data Collection Form.	
Item 6(a)	Auditee Name Compared with Data Collection Form.	
Item 6(b)	Auditee Address Compared with Data Collection Form.	
Item 6(g)	Auditee Signature Verified completeness on Data Collection Form.	
Item 7(a)	Auditor Name Compared with Data Collection Form.	
Item 7(b)	Auditor Address Compared with Data Collection Form.	
Item 7(g)	Auditor Signature Verified completeness on Data Collection Form.	
Item 8	Federal Cognizant or Oversight Agency for Audit Compared with Data Collection Form. We considered the following errors: (1) If the Part III, Item 6c total was \$25 million or less, cognizant was an error, and (2) If Part III, Item 6c total was more than \$25 million then oversight was an error.	
Item 9	Name of Federal Cognizant or Oversight Agency for Audit Compared with Data Collection Form.	

Table 3

DATA COLLECTION FORM Part II- Financial Statements	
<i>Agreed-Upon Procedures Performed</i>	
<i>Results of Procedures</i>	
<p>Item 1</p> <p>Type of Audit Report Compared with (a) Auditor's Report One, and (b) the Summary of Auditor's Results included in the Schedule of Findings & Questioned Costs (Auditor's Summary).</p>	<p>We found a total of 39 errors in the 1,350 attributes tested for Table 3. We calculated the attributes tested by multiplying the items listed in this table by the sample of 150 (9 * 150 = 1,350). All 39 errors were attributable to the auditors.</p> <p>Item 1 We found 13 errors in Item 1. Item 1(a) had 2 errors. These 2 errors were due to a mismatch between the type of audit report recorded on the Data Collection Form and the type of report included in Auditor's Report One. Item 1(b) had 11 errors due to a mismatch between the type of audit reports recorded on the Data Collection Form and the type of audit report disclosed on the Auditor's Summary.</p>
<p>Item 2</p> <p>Going Concern Explanatory Paragraph Compared with Auditor's Report One.</p>	
<p>Item 3</p> <p>Reportable Conditions Compared with (a) Auditor's Report Two, and (b) Auditor's Summary.</p>	<p>Item 3 We found 12 errors in Item 3. Item 3(a) had 4 errors. Of the 4 errors, 3 were due to a mismatch between reportable conditions included on the Data Collection Form but not included in Auditor's Report Two. The other error was due to the inclusion of reportable conditions in Auditor's Report Two but not reported on the Data Collection Form. Item 3(b) had 8 errors due to a mismatch between the reportable condition information reported on the Data Collection Form and the information included on the Auditor's Summary.</p>

Table 3 (cont.)

DATA COLLECTION FORM Part II- Financial Statements (cont.)		
<i>Agreed-Upon Procedures Performed</i>		
<i>Results of Procedures</i>		
Item 4	<p>Material Weaknesses Compared with (a) Auditor's Report Two, and (b) Auditor's Summary.</p>	<p>Item 4 We found 2 errors in Item 4(b). These 2 errors were due to a mismatch between the material weakness information reported on the Data Collection Form and the material weakness information reported on the Auditor's Summary.</p>
Item 5	<p>Material Non-Compliance Compared with (a) Auditor's Report Two, and (b) Auditor's Summary.</p>	<p>Item 5 We found 12 errors in Item 5. Item 5(a) had 4 errors. Two errors were due to the auditor indicating a non-compliance item on Data Collection Form but not including non-compliance disclosures in Auditor's Report Two. Two other errors were due to non-compliance reported on Auditor's Report Two but not included on Data Collection Form. Item 5(b) had 8 errors due to a mismatch between the material non-compliance information reported on the Data Collection Form and the material non-compliance information reported on the Auditor's Summary.</p>

Table 4

DATA COLLECTION FORM Part III- Federal Programs		
<i>Agreed -Upon Procedures Performed</i>		<i>Results of Procedures</i>
Item 1	Type of Report on Major Program Compliance Compared with the (a) Auditor's Report Three, and (b) Auditor's Summary.	<p>We found a total of 131 errors in the 1,050 attributes tested for Table 4. We calculated the attributes tested by multiplying the items listed in this table by the sample of 150 (7 * 150 = 1,050).</p> <p>Item 1 We found 7 errors in Item 1. Item 1(a) had 1 error due to a Clearinghouse programming problem in transferring data from the Database to the website. Item 1(b) had 6 errors. We found 5 errors, attributable to the auditors, due to a mismatch between the type of report on major programs included on the Data Collection Form and the type of report on major programs included on the Auditor's Summary, and 1 error due to a Clearinghouse programming problem in transferring data from the Database to the website.</p>
Item 2	Dollar Threshold to Distinguish Type A and Type B Programs Compared with the Auditor's Summary.	<p>Item 2 We found 9 errors in Item 2. Seven of these errors were attributable to the auditor. Of the 7 errors, we found 6 errors due to the auditor's failure to list the Type A dollar threshold on the Auditors Summary, and 1 error due to the auditor's typographical error. We also found 2 typographical errors attributable to the Clearinghouse.</p>
Item 3	Low-Risk Auditee Compared with the Auditor's Summary.	<p>Item 3 We found 9 errors in Item 3 that were attributable to the auditors. Seven errors were due to the auditor not listing whether the auditee qualified as a low risk auditee on the Auditor's Summary, and 2 errors were due to a mismatch between the information on the Data Collection Form and the information on the Auditor's Summary.</p>

Table 4 (cont.)

DATA COLLECTION FORM Part III- Federal Programs (cont.)	
<i>Agreed-Upon Procedures Performed</i>	
<i>Results of Procedures</i>	
<p>Item 4</p> <p>Audit Findings Compared with the (a) Auditor’s Report Three, and (b) Auditor’s Summary.</p>	<p>Item 4 We found 5 errors in Item 4 that were attributable to the auditor. Item 4(a) had 1 error due to the auditor’s inclusion of findings on the Data Collection Form that were not indicated in Auditor’s Report Three. Item 4(b) had 4 errors due to a mismatch between the audit findings on the Data Collection Form and the audit findings included on the Auditor’s Summary.</p>
<p>Item 5</p> <p>Federal Agencies Required to Receive the Reporting Package. For each finding identified in the Schedule of Findings and Questioned Costs, we determined which Federal awarding agency provided direct funds and should receive a copy of the report.</p>	<p>Item 5 We found 101 errors in Item 5. We found 77 errors attributable to the Clearinghouse; however, 76 of these errors were due to 2 programming problems in converting information from the Clearinghouse Database to its website. For 75 of these reports, no Federal agency was required to receive a reporting package; however, the website indicated that a Federal agency other than those listed in Item 5 would be required to receive a report. The second programming problem resulted in 1 error affecting 1 report. The Appalachian Regional Commission (ARC) was listed as the Federal agency required to receive a reporting package in the Database; however, the website indicated the Federal agency as “Other.” In addition to the programming errors, the Clearinghouse made 1 typographical error.</p> <p>We found 24 errors in Item 5 that were attributable to the auditors. For 21 of these errors, the auditors indicated Federal agencies were required to receive the reporting package when we could find no evidence that they were. Another 3 errors involved the mis-identification of all Federal agencies required to receive reports.</p>

Table 5

DATA COLLECTION FORM Part III - Federal Programs	
<i>Agreed Upon Procedures Performed</i>	<i>Results of Procedures</i>
<p>Item 6(a) CFDA Number Compared with the SEFA.</p>	<p>We found a total of 64 errors in the 7,977 attributes tested for Table 5. We calculated the attributes tested by multiplying the Items 6(a) - 6(c) by the sample size of 2,559 (3 * 2,559 = 7,677) plus Totals 6(c)(a) and (b) by the sample size of 150 (2 * 150 =300).</p> <p>Item 6a We found 22 errors in 11 reports. Of these 22 errors, 10 resulted from the auditor's completion of the Data Collection Form that did not match the SEFA. The other 12 errors were attributed to the Clearinghouse. The errors included (a) 2 typographical errors, (b) 2 invalid 00's typed for the first two digits of the CFDA number, (c) 4 CFDA numbers that did not match the Data Collection Form, and (d) 4 CFDA numbers that dropped the fifth zero in the CFDA number. These last 4 errors were due to a programming problem.</p>
<p>Item 6(b) Name of Federal Program Compared with the SEFA.</p>	<p>Item 6b We found 12 errors in 4 reports. Ten errors were attributable to the auditors. For 10 CFDA programs, we could not match the program name in the Data Collection Form to the SEFA. We also noted 2 errors affecting 2 CFDA programs that were attributable to the Clearinghouse. Both of these were typographical errors.</p>
<p>Item 6(c) Amount of Federal Expenditures Compared with the SEFA. We determined whether the amounts for Federal awards expended had been included in Item 6c of the Data Collection Form.</p>	<p>Item 6c We found 18 errors in 9 reports. Of these 18 program errors, 8 were attributable to the auditors, and 10 were the result of errors made at the Clearinghouse. The errors were due to the amount of Federal expenditures in the Clearinghouse Database not matching the Data Collection Form or the SEFA.</p>
<p>Total 6(c) Total of Federal Awards Expended Compared with the (a) SEFA, and (b) Data Collection Form.</p>	<p>Total 6(c) We found 12 errors in total 6(c). Total 6(c)(a) had 10 errors due to a mismatch between the Database and the SEFA. Eight of these errors were made by the auditor and 2 errors were attributable to the Clearinghouse. Total 6(c)(b) had 2 errors due to typographical errors made by the Clearinghouse.</p>

Table 6

DATA COLLECTION FORM Part III - Federal Program		
<i>Agreed -Upon Procedures Performed</i>		<i>Results of Procedures</i>
Item 7(a)	Major Program Compared with the Auditor's Summary.	<p>We found a total of 105 errors in the 10,236 attributes tested for Table 6. We calculated the attributes tested by multiplying the items listed in this table by the sample of 2,559 (4 * 2,559=10,236).</p> <p>Item 7(a) We found 47 errors in 23 reports. A typographical error resulted in 1 Clearinghouse error. The auditors were responsible for the other 46 errors. Of the 46 errors, 41 errors, affecting 19 reports, were due to differences in the major programs identified on the Auditor's Summary and the major programs identified on the Data Collection Form. Five errors were due to typographical mistakes by the auditor and the auditor's failure to identify the major programs on the Auditor's Summary.</p>
Item 7(b)	Type of Compliance Requirement For each audit finding identified, we determined the type of compliance requirement (listed in footnote 2 of the Data Collection Form), which applies to the audit finding after reading the finding in the Schedule of Findings and Questioned Costs.	Item 7(b) We found 52 errors in 10 reports. All were counted as auditor errors. The errors were due to the auditor marking an incorrect and/or incomplete type of compliance requirement code on the Data Collection Form.
Item 7(c)	Questioned Costs Compared with the Schedule of Findings and Questioned Costs.	Item 7(c) We found 3 errors in 2 reports. The auditors noted questioned costs in the Single Audit report's Schedule of Findings and Questioned Costs but these findings were not included on the Data Collection Form.
Item 7(d)	Internal Control Findings For each audit finding disclosing an internal control finding applicable to a Federal program, we tested if the finding was correctly classified as a reportable condition or material weakness by comparing the classification with Auditor's Report Three.	Item 7(d) We found 3 errors in 3 reports. Two of these errors were due to the Clearinghouse incorrectly marking the internal control findings code on the Data Collection Form. One error was due to the auditor not correctly coding the internal control finding on the Data Collection Form.

III. COMPLETENESS OF THE AUDIT FINDINGS IN THE DATABASE

Overview of Results

We verified that all audit findings reflected in the 150 sampled Single Audit reports reviewed were included in the Clearinghouse Database. We found four reports that had findings omitted from the Database. We classified these reports as having critical errors. Projections were made for the critical errors, and a table detailing the error projections is included as Appendix II.

Procedures and Results

Table 7

<i>Agreed-Upon Procedures Performed</i>	<i>Results of Procedures</i>
Using the reporting packages obtained for the stage I sample, we tested all findings reported in the Schedule of Findings and Questioned Costs, Section III (Federal award findings and questioned costs), to determine if they were also reported as findings in the Clearinghouse Database. The audit finding reference number was used to make this determination.	We found 4 reports out of 150 which had findings omitted from the Database. These reports were considered to have critical errors. These errors were due to the auditor omitting the findings from the Data Collection Form. We found another 4 reports where one or more findings were not properly reported in the Database due to the use of incorrect or incomplete finding reference numbers. We did not consider these errors critical because the findings were included in the Database even though the finding reference number was incorrect or incomplete.

IV. CENSUS RESPONSE AND OIG COMMENTS

Census Response

The Census Bureau fully agreed with the results of the Agreed-Upon Procedures engagement. The Bureau explained that the Clearinghouse developed the audit report database with the close guidance of OMB and the federal agency sponsors. Given the complexities of the electronic system and related operating procedures involved in this effort, the Bureau was pleased to hear that the accuracy of its work was confirmed by our review. The Bureau further stated that corrections are in progress for the keying errors and programming problems noted in the draft report.

OIG Comments

We reviewed the Bureau's response to the draft report and appreciate the comments provided. The Bureau's entire response is included as Appendix V.

**Single Audit Clearinghouse Database
FY 1998 Audit Reports AUP Project
Sampling Methodology**

This appendix describes the sampling methodology used to determine the Single Audit reports and Catalog of Federal Domestic Assistance (CFDA) program entries in the Federal Audit Clearinghouse Database that were tested. Stage I represented individual Single Audit reports entered in the Database as of October 26, 1999, with a financial statement period ended during calendar year 1998. Stage II represented individual CFDA program entries associated with such Single Audit reports as indicated in Part III of the *Data Collection Form for Reporting on Audits of States, Local Governments and Non-Profit Organizations*.

We utilized a two-stage attribute sampling plan prepared by the Department of Labor, Office of Inspector General, to achieve a sample that was representative of the individual CFDA program entries in the Database. As of October 26, 1999, the Database included 18,992 audit reports claiming \$346 billion in Federal awards expended (see Footnote 1 on page 3 of this report) during the auditee's fiscal year 1998. Of the 18,992 reports, we selected 150 reports for testing, using a stratified random sample. These 150 Single Audit reports included 12,890 individual CFDA program entries. Of these 12,890 entries, we selected 2,559 entries.

Objectives of the Tests

The objectives of our tests were to determine whether:

1. The reporting package was complete.
2. The information included in the Database agreed with the Single Audit report or the Data Collection Form for data not included in the Single Audit report.
3. All audit findings reflected in the Single Audit reports were correctly included in the Database.

Definition of the Population and Sampling Unit

The population was defined in two stages. The stage I population was defined as all Single Audit reports entered in the Database as of October 26, 1999, with a financial statement period ended during calendar year 1998. This totaled 18,992 reports. The stage II population was defined as all individual CFDA program Database entries as represented in part III of the Data Collection Form for the audit reports identified in the population. This totaled 201,668 entries.

Stage II sampling was designed to test CFDA program entries for each Single Audit report selected in the Stage I sample.

Stage I was used to test the following Database elements from the Database to the Single Audit report or Data Collection Form as indicated in Tables 2 through 6. Database elements are defined by reference to the applicable item on the Data Collection Form. The Data Collection Form is divided into three parts as follows:

- Part I, General Information
 1. Fiscal Year Ending Date
 2. Type of Circular A-133 Audit
 3. Audit Period Covered
 4. Date Received (not tested - Census use only)
 5. Auditee Employer Identification Number
 6. Auditee Information - Name, Address, Signature
 7. Auditor Information - Name, Address, Signature
 8. Federal Cognizant or Oversight Agency for Audit
 9. Name of Federal Cognizant or Oversight Agency for Audit

- Part II, Financial Statements
 1. Type of Audit Report
 2. Going Concern Explanatory Paragraph
 3. Reportable Conditions
 4. Material Weaknesses
 5. Material Non-Compliance

- Part III, Federal Programs
 1. Type of Report on Major Program Compliance
 2. Dollar Threshold to Distinguish Type A and Type B Programs
 3. Low-Risk Auditee
 4. Audit Findings Reported
 5. Federal Agencies Required to Receive Reporting Package

Stage I was also used to test that all Single Audit findings and questioned costs reported in the selected Single Audit reports were correctly included in the Database.

Stage II was used to test the following Database elements from the Database to the Single Audit report. Database elements are defined by reference to the applicable item on the Data Collection Form as follows:

- Part III, Federal Programs
 - 6. Federal Awards Expended
 - 7. Audit Findings and Questioned Costs

Definition of an Error

An error, or deviation, is any instance where the information for the data element tested per the Database did not agree with the Single Audit report or Data Collection Form as applicable. For dollar amount data elements, a difference of \$100 or less was not considered an error.

Sampling Plan

For stage I, the sampling plan utilized a stratified random attribute sample designed to assess a tolerable error rate of 7 percent or less with a 95 percent confidence level for a one-sided test and a standard error of 3 percent or less. Our sample size was also based on an estimated 4 percent deviation rate. A sample size of 150 was used. The strata and sample sizes per stratum were as follows:

<i>Stratum</i>	<i>Range</i>		<i>Number of Single Audit Reports</i>	<i>Direct Federal Awards and Pass- Through Funds Expended (see footnote 1, page 3)</i>	<i>Sample Size</i>	<i>Federal Awards Expended in the Sample</i>
1	\$ 300,000	\$ 24,999,999	18,462	\$ 43,755,959,245	100	\$ 365,865,804
2	25,000,000	499,999,999	479	40,576,648,235	30	2,810,560,904
3	500,000,000	~	51	261,230,895,285	20	126,628,161,225
Totals			18,992	\$345,563,502,765	150	\$129,804,587,933

Stage II sampling was designed to test up to 50 CFDA program entries for each Single Audit report selected in stage I. For strata 2 and 3, if a Single Audit report included more than 50 CFDA program entries, a sample of 50 entries was taken. For stratum 1 and for all Single Audit reports in strata 2 and 3 that had 50 or less CFDA program entries, all entries were selected. The stage II sampling plan was designed to achieve a tolerable error rate of 7 percent or less with a 95 percent confidence level for a one-sided test and a standard error of 3 percent or less. Our sample size was also based on an estimated 4 percent deviation rate.

For stratum 2, there were 4 Single Audit reports selected at stage I that exceeded the 50 CFDA program entries and required a random selection of 50 entries for each of the 4 reports. For stratum 3, there were 17 Single Audit reports that required a stage II random sample of 50 entries each. After the random selections and including the stage I sample items for which all CFDA program entries were tested, we had a stage II sample size of 2,559 CFDA program entries.

<i>Stratum</i>	<i>CFDA Program Entries in Population</i>	<i>CFDA Program Entries in Stage I Sample</i>	<i>CFDA Program Entries in Stage II Sample</i>
1	147,289	910	910
2	29,896	1,030	790
3	24,483	10,950	859
Totals	201,668	12,890	2,559

Sample Selection Process

We used Interactive Data Extraction and Analysis (IDEA) for Windows, Version 3, to perform the stratified random sample selection for stages I and II. Samples were selected without replacement.

Sample Evaluation

We performed two sets of attribute projections: one for all stage I samples and one for all stage II samples. Stage I and II samples were evaluated using formulas for estimation of a population proportion (stage I) and estimation of a population proportion for two-stage sampling (stage II), for the individual stratum and to calculate the overall population proportion for the three strata, from *Elementary Survey Sampling*, Fifth Edition, by Richard L. Scheaffer, published by the Duxbury Press, 1996. The overall population proportion was verified by using formulas from the *Handbook of Sampling for Auditing and Accounting*, Second Edition, by Herbert Arkin, published by the McGraw-Hill Book Company, 1974.

Sampling Projections

The following table includes the projections of errors resulting from the sampling plan developed by the Department of Labor, Office of Inspector General, as described in Appendix I. The sampling plan utilized a two-stage stratified random attribute sample designed to achieve a tolerable error rate of 7 percent or less, with a 95 percent confidence level for a one-sided test, and a standard error rate of 3 percent or less. We defined an error as any instance where the information for the data element tested per the Database did not agree with the Single Audit report or Data Collection Form as applicable. For dollar amount data elements, a difference of \$100 or less was not considered an error.

The sampling projections were based on the errors found and reported in Tables 1 through 7 of the Agreed-Upon Procedures and Results Section of this report. We did not perform projections for those attributes where we found zero errors in the sample; however, even with zero errors in the sample, due to the sampling error (i.e., the risk that our sample is not truly representative of the population), we cannot say that there would be zero errors in the population.

Agreed-Upon Procedures and Results Section I - Completeness of Reporting Package							
	Population	Sample	Errors	Point Estimate % ²	Projected Errors at Point Estimate ³	Upper Range % ⁴	Projected Errors at Upper Range ⁵
Table 1 - Reporting Package	18,992	150	2	1.94%	369	4.18%	794

² The Point Estimate % is derived from the three individual stratum error percentages and represents the most plausible estimate of the percentage of errors in the entire population. We have rounded the Point Estimate percentage to two-digits for this table.

³ The Projected Errors at the Point Estimate is the point estimate percentage multiplied by the entire population and represents the estimated number of errors in the population. Although the point estimate percentage was rounded to two-digits for this table, the actual point estimate percentage was used in the calculation of the projected errors.

⁴ The Upper Range % is defined as a calculated value for which we are 95% confident (one-sided) that the true deviation percentage will not exceed the calculated percentage. The upper range percentage is simply the point estimate percentage plus the sampling risk for not auditing 100% of the population. We have rounded the Upper Range percentage to two-digits for this table.

⁵ The Projected Errors at the Upper Range is the upper range percentage multiplied by the population which equals the estimated errors in the population. We are 95% confident that the true errors will not exceed the Projected Errors at the Upper Range. Although the upper range percentage was rounded to two-digits for this table, the actual upper range percentage was used in the calculation of the projected errors.

Agreed-Upon Procedures & Results							
Section II - Accuracy of Data Elements in Database							
	Population	Sample	Errors	Point Estimate %	Projected Errors at Point Estimate	Upper Range %	Projected Errors at Upper Range
Table 2 - General Information							
Item 3 - Audit period covered	18,992	150	3	2.03%	385	4.27%	811
Item 6(a) - Auditee Name	18,992	150	1	0.97%	185	2.56%	486
Item 6(b) - Auditee Address	18,992	150	3	2.03%	385	4.27%	811
Item 7(a) - Auditor Name	18,992	150	3	1.07%	203	2.67%	506
Item 7(b) - Auditor Address	18,992	150	2	0.99%	187	2.58%	489
Item 8 - Cognizant or Oversight Agency	18,992	150	18	13.80%	2,622	19.35%	3,675
Item 9 - Name of Federal Agency for Audit	18,992	150	1	0.97%	185	2.56%	487
Table 3 - Financial Statements							
Item 1 - Type of Audit Report							
1(a) - Compared with Auditor's Report One	18,992	150	2	1.94%	369	4.18%	794
1(b) - Compared with Auditor's Summary	18,992	150	11	10.69%	2,031	15.69%	2,980
Item 3 - Reportable Conditions							
3(a) - Compared with Auditor's Report Two	18,992	150	4	2.93%	556	5.66%	1,074
3(b) - Compared with Auditor's Summary	18,992	150	8	5.93%	1,126	9.73%	1,847
Item 4 - Material Weakness							
4(b) - Compared with Auditor's Summary	18,992	150	2	1.94%	369	4.18%	794
Item 5 - Material Non-Compliance							
5(a) - Compared with Auditor's Report Two	18,992	150	4	2.93%	556	5.66%	1,074
5(b) - Compared with Auditor's Summary	18,992	150	8	5.86%	1,113	9.65%	1,834
Table 4 - Federal Programs Items 1-5							
Item 1 - Report on Major Program Compliance							
1(a) - Compared with Auditor's Report Three	18,992	150	1	0.01%	2	0.03%	6
1(b) - Compared with Auditor's Summary	18,992	150	6	3.92%	744	7.05%	1,338
Item 2 - Type A Dollar Threshold	18,992	150	9	6.90%	1,311	10.98%	2,086
Item 3 - Low-risk Auditee	18,992	150	9	8.75%	1,662	13.32%	2,530
Item 4 - Audit Findings Reported							
4(a) - Compared with Auditor's Report Three	18,992	150	1	0.97%	185	2.56%	487
4(b) - Compared with Auditor's Summary	18,992	150	4	3.89%	738	7.02%	1,333
Item 5 - Federal Agencies Receiving a Reporting Package							
5(a) - Non-Programming Errors	18,992	150	25	19.65%	3,732	26.04%	4,946
5(b) - Programming Errors	18,992	150	76	56.87%	10,800	64.78%	12,304
Table 5 - Federal Programs Item 6							
Item 6 - Federal Awards Expended							
6(a) - CFDA Number	201,668	2,559	22	0.77%	1,543	1.12%	2,267
6(b) - Name of Federal Program	201,668	2,559	12	0.27%	553	0.43%	867
6(c) - Federal Expenditures	201,668	2,559	18	0.58%	1,162	0.88%	1,780
Total 6(c) - Total Federal Expenditures							
6(c)(a) - Compared with SEFA	18,992	150	10	3.22%	612	5.96%	1,131
6(c)(b) - Compared with Data Collection Form	18,992	150	2	0.17%	32	0.35%	67
Table 6 - Federal Programs Item 7							
Item 7 - Audit Findings and Questioned Costs							
7(a) - Major Program	201,668	2,559	47	2.18%	4,400	2.80%	5,655
7(b) - Type of Compliance Requirements	201,668	2,559	52	1.15%	2,327	1.52%	3,063
7(c) - Amount of Questioned Costs	201,668	2,559	3	0.24%	486	0.47%	944
7(d) - Internal Control Findings	201,668	2,559	3	0.13%	254	0.26%	532

Agreed-Upon Procedures and Results							
Section III - Completeness of the Audit Findings in the Database							
	Population	Sample	Errors	Point Estimate %	Projected Errors at Point Estimate	Upper Range %	Projected Errors at Upper Range
Table 7 - Audit Findings	18,992	150	4	0.12%	24	0.26%	50

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GLOSSARY

Auditor's Report One	The Independent Auditor's Opinion on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.
Auditor's Report Two	The Report on Compliance and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements in Accordance with Government Auditing Standards.
Auditor's Report Three	The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Controls over Compliance in Accordance with OMB Circular A-133.
Auditor's Summary	The Summary of Auditor's Results included in the Schedule of Findings and Questioned Costs.
CAP	A Corrective Action Plan for current year audit findings.
CFDA	The Catalog of Federal Domestic Assistance.
Data Collection Form	The Data Collection Form for Reporting on Audits of States, Local Governments and Non-Profit Organizations.
Prior Year Findings	A Summary Schedule of Prior Audit Findings may be included although it is not always required.
SEFA	The Schedule of Expenditures of Federal Awards.



APPENDIX V
Page 1 of 1
UNITED STATES DEPARTMENT OF COMMERCE
Economics and Statistics Administration
U.S. Census Bureau
Washington, DC 20233-0001
OFFICE OF THE DIRECTOR

JUL 6 2000

MEMORANDUM FOR Mary Casey
Acting Assistant Inspector General for Audits

Through: Robert J. Shapiro *RJS*
Under Secretary for Economic Affairs *Prewitt*

From: Kenneth Prewitt
Director

Subject: *Agreed-Upon Procedures and Results Assessment of
Federal Audit Clearinghouse Database
Fiscal Year 1998 Audit Reports
Draft Report No. ATL-12556-0-XXXX*

This is in response to your memorandum transmitting the above-referenced draft audit report. We appreciate the efforts of the Department of Commerce's Office of Inspector General (OIG) staff in conducting this review, and we fully agree with their results.

The U.S. Census Bureau's Federal Audit Clearinghouse (FAC) staff developed this important database with the close guidance of the Office of Management and Budget's Office of Federal Financial Management and our federal agency sponsors. The 1998 data covered under this review were for only the second year of data collection, following a major system development and project implementation by our FAC staff. Given the complexities of the electronic system and related operating procedures involved in this effort, we are heartened to have the accuracy of our work confirmed. The FAC keying errors were extremely low, and the few programming problems, resulting in the other FAC database errors, have all been isolated and corrections are in progress.

All staff members of the Census Bureau's Governments Division at headquarters and of the National Processing Center in Jeffersonville, Indiana, are to be commended for their professionalism and dedication in their work, leading to the successful development of the FAC database. We also want to express our appreciation to the Commerce Department's OIG Atlanta staff who worked diligently to conduct this review and prepare the Agreed-Upon Procedures report.

cc: US/EA

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