

U.S. Department of Commerce Office of Inspector General

RECOVERY ACT: Transparency and Accountability in Broadband Grants



Recovery Act Task Force
U.S. Department of Commerce, OIG



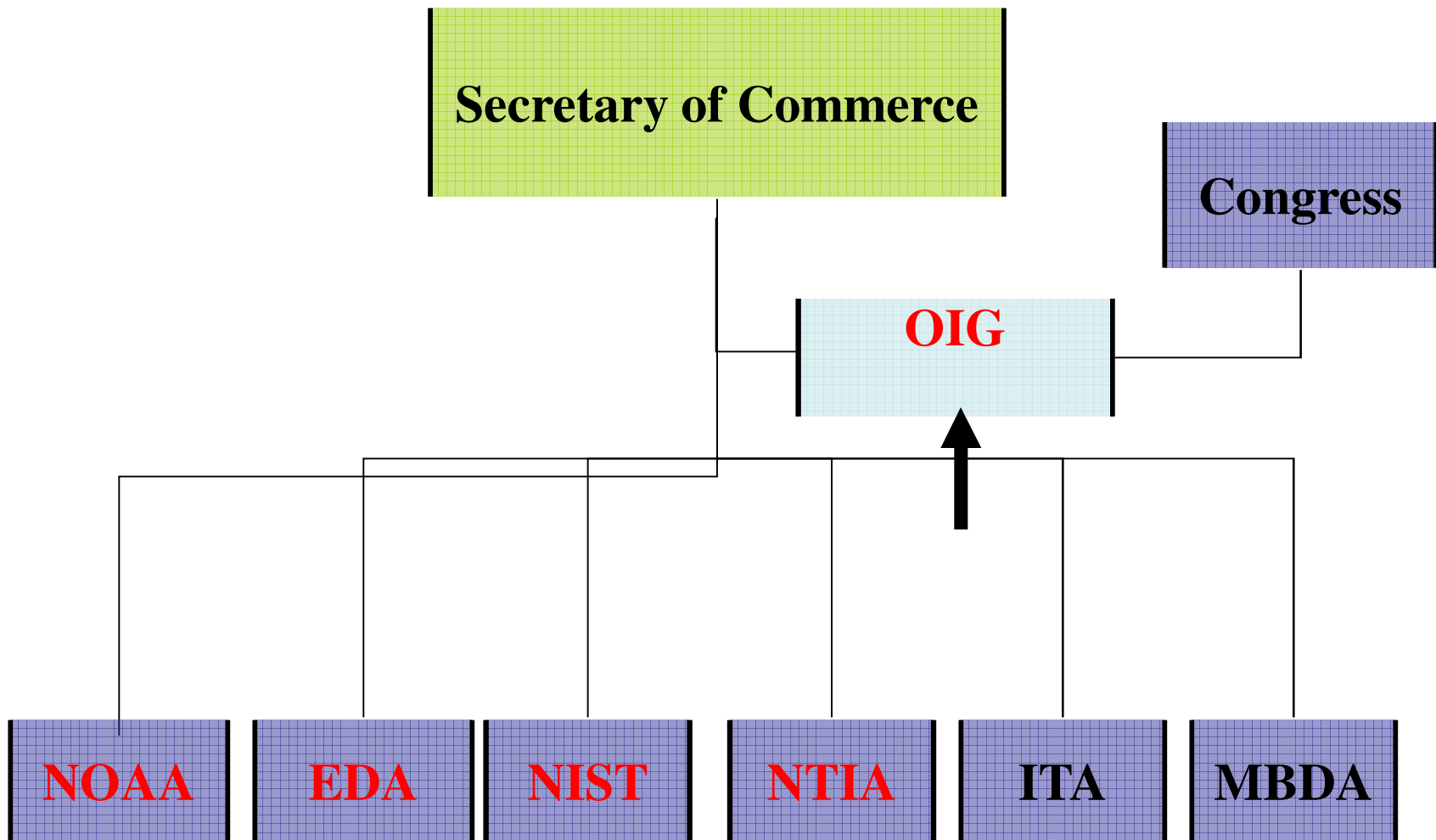
Recovery Act



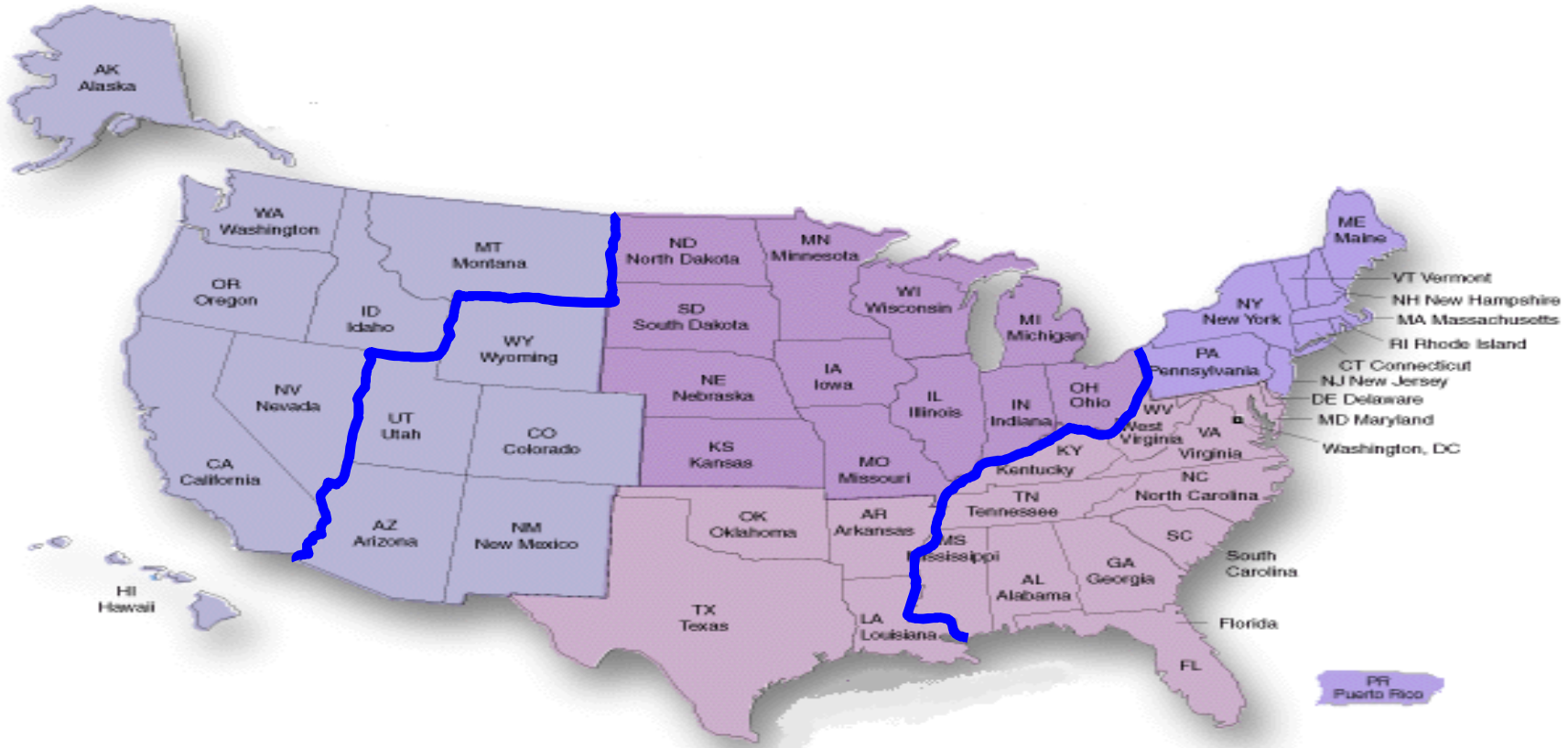
"We cannot overstate the importance of this effort. We are asking the American people to trust their government with an **unprecedented level of funding** to address the economic emergency. In return, we must prove to them that their dollars are being invested in initiatives and strategies that make a difference in their communities and across the country. Following through on **our commitments for accountability and openness** will create a foundation upon which we can build as we continue to tackle the economic crisis and the many other challenges facing our nation."

*"Preparing for the Implementation of the Pending Recovery Legislation,"
OMB Memorandum to Heads of Departments and Agencies, February 9, 2009
http://www.recovery.gov/about/documents/recoverylegislationmemo_Feb9.pdf*

U.S. Department of Commerce - Grantor Agencies



Department of Commerce OIG Washington DC and 3 Regional Offices – Atlanta, Denver, and Seattle



Type of Audits



- **OIG Audits**
 - Cost and Compliance Audits
 - Performance Audits
- **Single Audits**
 - Governmental
 - Non-Profit Organizations
- **Program Specific Audits**
 - For Profit Entities

Administrative and other Compliance Areas Covered in an Audit



- Financial Management System
- Matching Funds/In-kind Contributions
- Scope/Budget Revisions
- Procurement Practices
- Property Management
- Subrecipient Monitoring
- Financial/Performance Reporting
- Program Income

An Example of a Common Audit Finding



- **Matching Share**
 - American Recovery and Reinvestment Act of 2009 (Recovery Act)
 - Notification of Funds Availability
 - Uniform Administrative Requirements 15 Code of Federal Regulations (C.F.R.) part 14 and 15 C.F.R. part 24
- **Audit Issues with Matching Share**
 - Documentation
 - Valuation

Items of Cost Included in Most Audits



- Salary Distribution
- Fringe Benefits
- Travel Costs
- Entertainment Costs
- Contributions & Gifts
- Indirect Costs and Cost Allocation Plans
- Equipment
- Contracts and Subawards

An Example of a Common Cost Audit Finding



- **Salary Distribution**

A program manager is working an average of 40 hours a week on a federal grant and 20 hours a week on other projects. All of the program manager's salary is being charged to the federal grant. The auditor questions one-third of the salary costs.

- **Audit Issues with Salary Distribution**

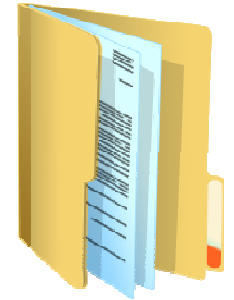
- Documentation
- Valuation

Annual Single Audits Performed by Nonfederal Auditors

Nonfederal entities (states, local governments, tribes, colleges and universities, and nonprofit organizations) are required by the Single Audit Act Amendments of 1996 to have an annual audit of their federal awards.

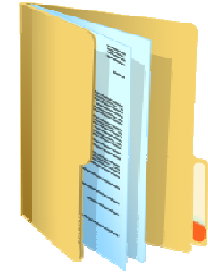


Implementing Single Audits



- Single Audit Act Amendments of 1996
Pub. L. No. 104-156, 31 U.S.C. §§ 7501-7507.
- OMB Circular A-133
<http://www.whitehouse.gov/omb/circulars/a133/a133.html>
- Compliance Supplement
http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/
- Federal Audit Clearinghouse
<https://harvester.census.gov/fac>

Single Audit Requirements



- Required when the entity has \$500,000 in annual expenditures of federal funds.
- Major programs receive the greatest audit coverage.
- Must be submitted to the Clearinghouse within 9 months of the end of the recipient's fiscal year.
- For fiscal year ending after January 1, 2008, all single audit reports will be submitted to the Federal Audit Clearinghouse electronically.

Single Audit Requirements and the Recovery Act



- OMB will use the OMB Circular A-133 Compliance Supplement to notify auditors of compliance requirements that should be tested for Recovery Act awards.
- Appendix VII has been added to the March 2009 Compliance Supplement to highlight known Recovery Act requirements for single audits.
 - Schedule of Expenditure of Federal Awards requirements for Recovery Act funds
 - Major program changes for Recovery Act funds
 - Discussion of Reporting Requirements for Recipients and Subrecipient
- OMB will issue interim updates as necessary to keep Recovery Act requirements current.

Single Audit Requirements and the Recovery Act



- For fiscal years ending September 30, 2009, and later, all Single Audit reports filed with the Federal Audit Clearinghouse will be made publicly available on the Internet. A link will be provided from Recovery.gov.
(M-09-15, OMB Memorandum to Heads of Departments and Agencies, April 3, 2009)
- Federal agencies will review Single Audits that include Recovery Act funding and provide a synopsis of audit findings relating to obligations and expenditures of Recovery Act funding.

Program Specific Audits Performed by Nonfederal Auditors

- For-profit recipients are not covered by the Single Audit Act.
- For-profit recipients will use OMB Circular Number A-133, section 235 for audit guidance.



How to Avoid Audit Findings



- ✓ Prepare a thorough, fact-based proposal.
- ✓ Review financial, administrative, and project management systems.
- ✓ **READ and UNDERSTAND** the award before signing and revisit award requirements frequently during the project.
- ✓ Ensure all staff understand the project and award requirements and that they **communicate fully and frequently** throughout the project.

How to Avoid Audit Findings



- ✓ If in doubt, **ASK QUESTIONS** and get answers and approvals **BEFORE** acting.
- ✓ Know your Agency or Department contacts.
- ✓ **DOCUMENT, DOCUMENT, DOCUMENT!**
- ✓ Attend training like this.
- ✓ Respond fully and timely at every opportunity during the audit and resolution process.

How Audits Are Performed



In accordance with criteria:

- Award
- Terms and Conditions
- Proposal and Amending Letters
- Assurances
- Uniform Administrative Requirements
- Federal Cost Principles
- Laws, Regulations, and Program Guidance
- Prudent Business Person



Hotline Complaints

“There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.”

~ *Ben Franklin*

- Credible Complaints
- Significant or Material Issues
- Often Referred to Grants Officer
- OIG Hotline Number
1-800-424-5197



Thank You



Questions

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