

Introduction to External Audit Followup

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Also see the following separate documents that support information presented in this course.

- Glossary of Audit Followup Terms
- Audit Followup Tools
- Matrix for Resolution of Common Audit Findings

Notes

Introduction to External Audit Followup

Welcome!

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Introduction to External Audit Followup is a 1.5 day-long foundational course that provides a basic overview of terms, concepts, and processes relating to external audits and audit followup.¹ This course is part of the *Audit Followup Curriculum*

Each course in the *Audit Followup Curriculum* includes a Pretest and a Posttest.

Please complete the Pretest now.

¹ Although the general concepts of audit followup are the same, the process of audit followup differs for Federal Student Aid (FSA) audits. This course does not cover FSA audit followup.

Course Overview and Agenda

This course is designed to lead Department of Education (ED) staff members through external audit followup by:

- Explaining the framework for accountability and external audits (Module 1),
- Describing and illustrating single audit reports and their components and requirements, including information available from the Federal Audit Clearinghouse (Module 2),
- Defining external audit followup stakeholders and roles, and the AARTS database (Module 3), and
- Delineating the process of external audit resolution (Module 4).

It is important to understand that audit followup includes roles and responsibilities for both Audit Resolution Staff Members and staff members who are responsible for grant monitoring. Moreover, audit findings can be used to focus monitoring of grants. Specific information for grant monitoring staff is included throughout this course.

Course Objectives

At the conclusion of the course, participants should be able to answer the following questions.

- What are external audits?
- What is the framework for accountability in external audits?
- What are the major sections of external audit reports?
- What is a single audit, and when and why are single audits required?
- What are the major sections of a single audit report?
- What issues of compliance do auditors consider for ED programs?
- What is the Federal Audit Clearinghouse and what information does it collect and make available?
- What are the ED components of external audit followup?
- Who are the ED players/stakeholders in external audit followup?
- What are the processes for external audit followup for ED-OIG and single audits?
- What is AARTS and how can it be used for external audit followup?
- What is the relationship between grant monitoring and audit followup?
- What is a step-by-step process to resolve external audits?
- What is the difference between closing a finding and closing the external audit?

The content of this course is based on the assumption that participants have completed the prerequisite course *Overview of Auditing and Audit Followup*.

MODULE 1: Framework for Accountability and External Audits

Our nation's Government rests on the principles of transparency and accountability for the use of public resources. In addition to achieving desired program objectives, Government officials and recipients of Federal funds are responsible for carrying out public functions efficiently, economically, effectively, ethically, and equitably. Government auditing plays a major role in improving Government operations and services by providing independent, objective and fact-based assessments regarding different aspects of Government policies, programs, and operations.² Audit followup records the actions taken on audit findings and recommendations.

This Module defines external audits, and sets forth the framework for accountability for external audits in regulations and Office of Management and Budget (OMB) Circulars. The Module also describes the major sections of external audit reports for Office of Inspector General (ED-OIG) and single audit reports.

What are external audits?

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External audits inform agency officials about activities performed under contracts, grants, or cooperative agreements.

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What is the framework for accountability in external audits?

In addition to the framework items discussed in the *Overview of Auditing and Audit Followup* course, regulations and OMB Circulars specifically related to external audits will be discussed in this course.

- In general, the precedence of authority is as follows: program law, then crosscutting law, Code of Federal Regulations, OMB Circulars, and agency internal policies or procedures.

The Code of Federal Regulations (CFR) is a codification of general and permanent rules published in the Federal Register by the executive departments and agencies. Federal education rules are set forth in the Education Department General Administrative Regulations (EDGAR).

- **EDGAR—Education Department General Administrative Regulation—codified at 34 CFR Parts 74 – 86 and 97 – 99.** Title 34 – Education is presently composed of three volumes (parts 1 to 299, parts 300 - 399, and parts 400 to End). The sections of the EDGAR

² Government Auditing Standards (Yellow Book, July 2007, page 1)

most relevant to specific aspects of grantmaking and audit followup will be further explained throughout the course.

- Key Parts of the EDGAR include the following.
 - ✓ Part 74. Administration of Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
 - ✓ Part 75. Direct Grant Programs
 - ✓ Part 76. State-Administered Programs
 - ✓ Part 80. Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
 - ✓ Part 82. General Education Provisions Act - Enforcement

See the Exhibit 1: EDGAR Table of Contents.

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OMB Circulars provide detailed guidance about administrative requirements and cost principles related to external awards. As stated above, they have precedence over internal agency guidance, and all contain language similar to the following:

For awards subject to this part, all administrative requirements of codified program regulations, program manuals, handbooks and other nonregulatory materials which are inconsistent with the requirements of this part shall be superseded, except to the extent they are required by statute, or authorized in accordance with the deviations provision in 34 CFR 74.3.

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Administrative requirements mean those matters common to grants in general, such as financial management, kinds and frequency of reports, and retention of records. These are distinguished from programmatic requirements, which concern matters that can be treated only on a program-by-program or grant-by-grant basis, such as the types of activities that can be supported by grants under a particular program.

- **OMB Circular A-102³, Grants and Cooperative Agreements with State and Local Governments** establishes consistency and uniformity among Federal agencies in the management of grants and cooperative agreements with state, local, and federally recognized Indian tribal governments.
- **OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations** sets forth standards for obtaining consistency and uniformity among Federal

³ In February 2012, OMB published a Federal Register Notice proposing to reform various administrative requirements and cost principles, and merge several Circulars into one.

agencies for the audit of states, local governments, and non-profit organizations expending Federal awards.

- **OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations** establishes uniform administrative requirements for Federal grants and agreements awarded to institutions of higher education, hospitals, and other non-profit organizations. Non-profit organizations that implement Federal programs for the States are also subject to state requirements.

Exhibit 2: Summary of OMB Circulars on Administrative Requirements includes additional information about the purpose, scope, and applicability of each OMB Circular related to administrative requirements.

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Cost principles provide guidance on what comprises allowable direct costs and indirect costs related to Federal awards. EDGAR lists the cost principles applicable for determining allowable costs applicable to grants and cost-type contracts under grants , at 34 CFR 74.27 (for institutions of higher education, hospitals and other non-profit organizations) and at 34 CFR 80.22 (for cost of State, local, and Indian tribal governments). (34 CFR 75.530)

The three different sets of Federal cost principles are codified in regulation –Title 2 of the CFR – and have the full force and effect of law. They set forth three types of costs: costs that are allowable; costs that are allowable only with specific approval (specifically identified and budgeted in the grant application); and costs that are unallowable (e.g., lobbying).

- **OMB Circular A-21, (2 CFR 220) Cost Principles for Educational Institutions** establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.
- **OMB Circular A-87, (2 CFR 225) Cost Principles for State, Local, and Indian Tribal Governments** establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments and federally recognized Indian tribal governments (governmental units).
- **OMB Circular A-122, (2 CFR 230) Cost Principles for Non-Profit Organizations** establishes principles for determining the costs of grants, contracts and other agreements with non-profit organizations. The principles are designed to ensure that the Federal Government bear its fair share of costs except where restricted or prohibited by law. The principles do not attempt to prescribe the extent of cost sharing or matching on grants, contracts, or other agreements.

For additional information about cost principles see the following resources.

- **Exhibit 3: Summary of OMB Cost Principles** includes additional information about the purpose, scope, and applicability of each OMB Circular related to cost principles.

- A matrix comparing the different cost principles is summarized in the Compliance Supplement at http://clinton2.nara.gov/OMB/circulars/a133_compliance/98/PT3.html, and a sample for illustrative purposes is **Exhibit 4: Comparison Among OMB Cost Principles Circulars**.
- The ED course *Overview of Audits and Auditing* includes a Module about cost principles.

Discussion Points

- Have you ever been involved in an external audit of a grantee?
- If so, what kinds of data did the auditors ask the grantee to provide?
- Which OMB Circular(s) provided criteria for the audit?

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What are the major sections of an external audit report?

The sections included in an external audit report differ if the audit is an ED-OIG audit or a single audit. The major sections of a single audit report will be covered in the next Module.

Components of ED-OIG external audits are similar in presentation and purpose to those in ED-OIG internal audits.

Background. This is information that the reader needs to understand the entity and program being audited and to place the overall audit results in perspective.

Audit Results. This section begins with one or more paragraph(s) containing succinct answers to each of the audit objectives. Following the opening paragraph, each finding is presented in a separate subsection. The findings reflect the elements of criteria, condition, cause, and effect. When the report has more than one finding, the findings are numbered. Recommendations for corrective action are presented at the end of each finding. To facilitate the audit followup process, recommendations are summarized under a caption titled "Recommendations" and addressed to the applicable organizational official(s). For final reports, subsections with a summary of the auditee's comments titled "Auditee Comments" and the ED-OIG response, if appropriate, follow the recommendation subsection of each finding. The auditee's written comments on the draft report are included in an enclosure/attachment.

Other Matters (optional). This section is used to communicate information that may not fit in other sections of the report, such as data or comments specifically requested by management officials, or minor findings that do not warrant tracking through the Department's Audit Accountability and Resolution Tracking System (AARTS).⁴

⁴ The Audit Accountability and Resolution Tracking System (AARTS) is a database the Department uses to track, monitor, and report on the post-audit status of single audits, Government Accountability Office (GAO) audits, as well as the Department's Office of Inspector General (OIG) issued internal audits, external audits and alternative products. AARTS will be discussed further in Module 3.

Objectives, Scope, and Methodology (OSM). This section presents the audit objectives and includes information about the scope and methodology used to meet the audit objectives. The section provides sufficient detail to allow a knowledgeable user of the report to understand the work. The OSM section concludes with the following statement: “Our audit was performed in accordance with generally accepted Government auditing standards appropriate to the scope of the review described above.”

Exercise 1: Reviewing External Audit Reports

Summary: Module 1

What are external audits?

- External audits inform agency officials about activities performed under contracts, grants, or cooperative agreements.

What is the framework for accountability in external audits?

- The framework for accountability includes regulations and OMB Circulars.
- The Code of Federal Regulations (CFR) is a codification of general and permanent rules published in the Federal Register by the executive departments and agencies. Crosscutting Federal education rules are set forth in Education Department General Administrative Regulations (EDGAR). Other ED regulations are set forth in Parts 1-299, 300-399, and Part 400 to End.
- OMB Circulars that provide detailed guidance about administrative and cost principles related to external awards are specified in the table below.

<i>Administrative Requirements</i>	<i>Cost Principles</i>
OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments	OMB Circular A-21, (2 CFR 220) Cost Principles for Educational Institutions
OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations	OMB Circular A-87, (2 CFR 225) Cost Principles for State, Local, and Indian Tribal Governments
OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations	OMB Circular A-122, (2 CFR 230) Cost Principles for Non-Profit Organizations

What are the major components of an ED-OIG external audit report?

- ED-OIG external audits include audit results, findings, recommendations, auditee's comments, ED-OIG responses, objectives, scope and methodology, and administrative matters (if necessary).

MODULE 2: Single Audits

This Module presents the following information;

- What is a single audit, and when and why are single audits required?
- What are the major sections of a single audit report?
- What issues of compliance do auditors consider for ED programs?
- What is the Federal Audit Clearinghouse and what information does it collect and make available?

Detailed information about single audits will be made in a separate presentation and slides for this presentation are included in your course notebook.

What is a single audit, and when and why are single audits required?

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All non-Federal entities that expend \$500,000⁵ or more of Federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," the OMB Circular A-133 Compliance Supplement, and *Government Auditing Standards*.⁶

- Entities expending less than \$500,000 in a year are exempt from Federal audit requirements, but must make records available for review or audit by Federal agencies or pass-through entities (non-Federal entities).

What are the major sections of a single audit report?

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OMB Circular A-133 sets forth the key components of a single audit report.

Data Collection Form. The auditor completes and signs specified sections of a data collection form. The data collection form, SF-SAC (Standard Form –Single Audit Clearinghouse), provides information for the Federal Audit Clearinghouse.⁷ It provides information about the

⁵ OMB has the authority to increase the single audit threshold. The threshold, which was last raised in December 2003, may be raised again according to changes that OMB has proposed in a February 2012.

⁶ Single Audit Basics and Where to Get Help for Federal Grant Recipients. U.S. Chief Financial Officers Council, Grants Management Committee: June, 2005.

⁷ Single Audit Clearinghouse is another name for the Federal Audit Clearinghouse.

auditee, its Federal programs, and the results of the audit. The Clearinghouse, which will be further discussed later in this Module, provides a summary of current findings and a history of findings in an auditee's previous audit reports. The summary and history are useful for both audit followup and grant monitoring.

A reporting package that consists of the following.

- **Financial statements.** Financial statements provide information about the financial position, performance, or changes in financial position of an enterprise, which is useful to a wide range of users in making economic decisions. The auditor determines whether the financial statements of the auditee are presented fairly in all material respects in conformity with Generally Accepted Accounting Principles (GAAP), and in relation to the auditee's financial statements taken as a whole.⁸ The financial statements reporting package should also include the following.
- **Schedule of Expenditures of Federal Awards.** The auditee prepares a list of expenditures of Federal awards for the period covered by the auditee's financial statements, listing programs by Federal agency, and whether the awards were received as a subrecipient.
- **Summary Schedule of Prior Audit Findings.** The auditor follows up on prior audit findings and performs procedures to assess the reasonableness of the auditee's summary schedule of prior audit findings.
- **Corrective Action Plan.** The audit report is also to include any corrective action plan prepared by the auditee addressing each audit finding included in the current year auditor's reports, along with the contact person(s) for the corrective action and the anticipated completion date. If the auditee disagrees, or does not believe corrective action is required, the plan shall include an explanation and specific reasons.
- **Opinion on Federal Statements.** The auditor's report on the financial statement may be either, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion.
-
- **Report on Internal Control.** The auditor states whether reportable conditions and material weaknesses were found in internal control. In addition, the report discloses if instances of noncompliance the auditor found may have a material effect on the financial statements. In preparing the report, the auditor determines compliance with the requirements of Generally Accepted Government Auditing Standards (GAGAS) and performs procedures to understand internal control over Federal programs and assess the level of control risk for major programs.
- **Report on Compliance.** Through this report, the auditor provides an overall opinion on the auditee's compliance with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs.

⁸ Audit Followup is concerned primarily with auditors' findings regarding grantees' compliance with specific program requirements. Although rare, single audits may also contain findings regarding the auditors' review of the auditee's overall internal controls and its financial statements. The Audit Prioritization Tool in AARTS includes a number of possible findings regarding the auditee's financial statements, and its accuracy and adherence with GAAP. We do not discuss these in the course, but provide definitions in the *Glossary of Audit Followup Terms*: Adverse Opinion, Disclaimer, Going Concern, Qualified Opinion, and Unqualified Opinion.

- **Schedule of Findings and Questioned Costs.** The auditor presents findings relating to internal control, compliance, questioned costs, or fraud. Where practical, findings are to be organized by Federal agency or pass-through. Auditors report known questioned costs greater than \$10,000 for a type of compliance requirement for a major program. Such costs are those the auditors have specifically identified. In reporting these costs, the auditors should include information to provide perspective for judging the prevalence and consequences of the questioned costs. The findings should be sufficiently detailed for the auditee to prepare a corrective action plan and for Federal agencies and pass-through entities to arrive at a management decision.

What issues of compliance do auditors consider for ED programs?

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The Single Audit Compliance Supplement (SACS) to Circular A-133 helps auditors to plan their work, and includes two types of compliance requirements:

- Crosscutting
- Program specific
 - ✓ SACS is located at the OMB Website: www.whitehouse.gov/omb/circulars/index.html, under A-133.

Crosscutting compliance requirements that apply to a number of ED programs are listed in the SACS' matrix of requirements (on page 13).

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The SACS states: "In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements."

Matrix of requirements for ED programs from the 2011 SACS are shown on page 13. The legend for the matrix appears on the following page. Each of these requirements is described in the *Glossary of Audit Followup Terms*.

Examples of the programs associated with CFDA numbers include the following. For a listing of CFDA numbers at connected go to: <http://www2.ed.gov/programs/find/cfda/index.html?src=ln>

- **84.002.** Adult Education – Basic Grants to States
- **84.010.** Title I, Part A – Improving Basic Programs Operated by Local Education Agencies
- **84.027.** Special Education – Grants to States

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Program specific requirements in SACS can help those resolving audits to understand the issues and how they can be addressed because it provides program specific information such as:

- Compliance requirements,
- Past audit findings,
- Audit objectives, and
- Suggested audit procedures for internal control and compliance.

See Exhibit 5: Sample of Crosscutting and Program Specific Language in the Compliance Supplement.

Exercise 2: Examining the Single Audit Form

What is the Federal Audit Clearinghouse and what information does it collect and make available?

The Federal Audit Clearinghouse (FAC) is organizationally located in the Bureau of the Census, U.S. Department of Commerce, and operates on behalf of the Office of Management and Budget (OMB). The FAC (<http://harvester.census.gov/sac/>) is the central point for collecting, classifying, and distributing single audit information via the collection and maintenance of the standard form SF-SAC, titled *Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*. Other information sources about single audits (for example, *Frequently Asked Questions* and searches of the single audit database) are also available at the FAC Website.

CFDA 84 – Department of Education (ED) – Types of Compliance Requirements

CFDA No.	A. Activities Allowed or Unallowed	B. Allowable Costs/Cost Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition Relocation Assistance	L. Reporting	M. Subrecipient Monitoring	N.** Special Tests and Provisions
84.002	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.010 84.389	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
84.011	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
84.027 84.173 84.391 84.392	Y	Y	Y	Y		Y	Y	Y	Y			Y	Y	Y
84.032-G	Y											Y		Y
84.032-L							Y		Y			Y		Y
84.041 84.401 84.404	Y	Y		Y			Y					Y		Y
84.042 84.044 84.047 84.066 84.217	Y	Y	Y		Y	Y	Y	Y	Y			Y		
84.048	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y
84.126 84.390	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y
84.181 84.393	Y	Y	Y			Y	Y	Y	Y			Y		Y
84.186	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.282	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	
84.287	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y

CFDA No.	A. Activities Allowed or Unallowed	B. Allowable Costs/Cost Principles	C. Cash Management	D. Davis-Bacon Act	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Availability of Federal Funds	I. Procurement and Suspension and Debarment	J. Program Income	K. Real Property Acquisition Relocation Assistance	L. Reporting	M. Subrecipient Monitoring	N.** Special Tests and Provisions
84.298	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.318	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.386														
84.365	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.366	Y	Y	Y		Y		Y	Y	Y			Y	Y	Y
84.367	Y	Y	Y		Y		Y	Y	Y			Y	Y	Y
84.377	Y	Y	Y				Y	Y	Y			Y	Y	Y
84.388														
84.394	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y
84.397														
84.395	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
84.410	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	Y

Legend:

Y Yes, this type of compliance requirement may apply to the Federal program.

Shaded box Indicates the program normally does not have activity subject to this type of compliance requirement.

* Program does not have a CFDA number, so the Part 4 page number is used.

** Applicability may be based on ARRA funding only and special tests and provisions specified in Part 3.

The FAC is responsible for:⁹

- Receiving single audit reports from auditees required to file them.
- Distributing to Federal agencies reporting packages that OMB Circular A-133 requires.
- Maintaining a database of completed audits.
- Providing appropriate information to Federal agencies and following up with non-respondents.

The FAC's primary purposes are to:¹⁰

- Disseminate audit information to Federal agencies and the public.
- Support OMB oversight and assessment of Federal award audit requirements.
- Assist Federal cognizant and oversight agencies in obtaining OMB Circular A-133 data and reporting packages.
- Help auditors and auditees minimize the reporting burden of complying with Circular A-133 audit requirements.
- FAC reviews the audit report and if:
 - ✓ The report is incomplete, FAC works with the auditee to obtain missing components.
 - ✓ The report is complete; FAC assigns it an Audit Control Number (ACN), and enters basic audit data into the FAC database.
- FAC sends the single audit report to the agency. In ED, the report would go to either:
 - ✓ OCFO/PAG, or Federal Student Assistance (FSA).¹¹

What types of information are available through the Federal Audit Clearinghouse?

The FAC provides

- Dates audits were received,
- Programs that are covered by an audit report, and
- Types of findings and questioned costs. (This is discussed further in this course).

More specific information on an audit finding is available from the FAC's Image Management System, where Federal agencies can access single audit reports.

- The Advanced Entity Search feature in the FAC provides information about
- Multiple auditees (e.g., for reviewing a slate of grants) ,
- Developing a strategy for grant monitoring, and

⁹ Section V, Chapter 1, *Handbook for the Post Audit Process*

¹⁰ <http://harvester.census.gov/sac/>

¹¹ The FSA audit followup process is different than the FIPAO/OCFO process and is not covered in this course.

- Assessing the frequency of findings over one or more grant programs (as identified by CFDA's).

How would someone use the FAC database for program monitoring information?

The FAC database can be used for monitoring to

- Verify that audits for grantees are timely (nine months after the end of fiscal year for most grantees)
- Determine what, if any, findings are reported for their grants (i.e., if they are included in the grants audited) and findings in other Federal grants.
- Check whether findings are repeated from year to year, and whether a finding is crosscutting (i.e., applies to several programs). Recurrent findings may indicate need for additional monitoring, technical assistance, and applying special conditions to grants.
- If it seems warranted, seek copies of full audits (through their Audit Liaison Officers [ALOs]) from the Image Management System.

What is the FAC process and how is it used in audit followup?

To review, at the end of the audit process:

- The auditor submits the single audit report to the auditee.
- The auditor and auditee prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations (known as the SF-SAC).
- The auditee must electronically submit one copy of the audit report along with a completed and signed SF-SAC to the Federal Audit Clearinghouse, within 30 days of receipt of the auditor's report, but not later than nine months after the end of the auditee's fiscal year.
 - ✓ The documents are submitted via the Internet Data Entry System (IDES).

Exercise 3: Using the FAC Database

Summary Module 2

What is a single audit, and when and why are single audits required?

All non-Federal entities that expend \$500,000 or more of Federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," the OMB Circular A-133 Compliance Supplement, and *Government Auditing Standards*.

What are the major sections of a single audit report?

The major sections of a single audit report are listed below.

- Data Collection Form
- Financial Statement(s), including Schedule of Expenditures of Federal Award, Summary Schedule of Prior Audit Finding, Corrective Action Plan (if there are findings), Opinion on Financial Statements
- Report on Internal Control
- Report on Compliance
- Schedule of Findings and Questioned Costs

What issues of compliance do auditors consider?

- Auditors determine grantees' compliance with various laws and regulations, whether programs are achieving their objectives and services are being provided efficiently, economically, and effectively.
- The Single Audit Compliance Supplement (SACS) helps auditors to plan their work by defining programs and setting forth both crosscutting and program-specific compliance requirements.

What is the Federal Audit Clearinghouse and what information does it collect and make available?

- The Federal Audit Clearinghouse (FAC) is the central point for collecting, classifying, and distributing single audit information via the collection and maintenance of the standard form SF-SAC, titled *Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations*. Other information sources about single audits (for example, *Frequently Asked Questions* and searches of the single audit database) are also available at the FAC Website.

Notes

MODULE 3: External Audit Followup

This Module describes ED components of external audit followup including ED players/stakeholders, processes, and the Audit Accountability and Resolution Tracking System (AARTS).

What are the ED components of external audit followup?

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Audit followup includes ED players/stakeholders, processes, and database/audit information management systems. ED players/stakeholders and the AARTS database are discussed in this Module. The FAC database was discussed previously; and the external audit resolution process is the subject of Module 4.

Who are the ED players/stakeholders in external audit followup?

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Offices throughout ED have diverse roles in audit followup.

- **Audit Followup Tools – See *Tool 1: Template for Communication Planning for information about what to ask/obtain from various ED offices.*¹²**

Principal Offices

Action Officials (AO), Audit Liaison Officers (ALO), and Senior Managers, those to whom an ALO reports, all have responsibilities for audit followup within their Principal Offices.

- **Action Official (AO).** Each Assistant Secretary (or equivalent office head) with cooperative audit followup or related responsibilities must ensure that the overall audit followup process operates efficiently and consistently. An Assistant Secretary (or equivalent office head) may delegate in writing audit followup responsibilities to another official(s) within the Assistant Secretary's (or equivalent office head's) organization. This official(s) is authorized to sign program determination letters; respond to draft and final audit reports and alternative products; and request Closure/Certification of internal, nationwide, GAO, and ED-OIG alternative products; as well as carry out other responsibilities as appropriate.
- **Audit Liaison Officer (ALO).** Each AO responsible for issuing determinations has designated an individual who is responsible for coordinating with a “resolution team” the overall resolution and closure of the audit report from beginning to end.

¹² Audit Followup Tools will be introduced throughout this course. The tools will be applied extensively in the next course in the Audit Followup Curriculum, *Workshop on External Audit Resolution*.

- **Senior Managers with Audit Followup Responsibilities.** Senior managers, those to whom a resolution team reports, are the link between the resolution team and the AO. As such, these senior managers are encouraged to keep the AO informed of resources needed by the ALOs to effectively manage audit followup functions. These senior managers are responsible for working with ALOs to identify the major issues related to the management of the post audit functions, as well as keeping top management informed of the implications of significant audit findings affecting the administration of ED programs.
- **Staff Members Resolving Audits.** The resolution of audits varies by office, with some combining resolution with other functions, including administration and monitoring of grants. Staff members responsible for resolving audits have a wide range of roles, coordinating with Senior Managers with Audit Followup Responsibilities and ALOs, including getting advice and clearance from OGC and OIG, as appropriate; communicating with other ED offices and other agencies on the resolution of crosscutting findings; obtaining pertinent information regarding findings and recommendations from the auditee and auditors; and providing audit related information to Grant Management Staff Members involved in the award and monitoring of grants to organizations that are the subject of audit followup.
- **Grant Management Staff Members.** In resolving audits, staff members may need to access diverse files regarding the specific grant(s) addressed in the audit, for example, copies of approved grant proposals, grant continuations, extensions of the period of performance and the period of liquidation, communications between the auditee and ED, performance reports, guidance to grantees, etc. Grant Management Staff Members can provide access to these files, and explain the program office's interpretation of regulations. In addition, according to internal guidance, ED staff members involved in awarding and monitoring grants must be aware of the status of grantees' compliance with single audit requirements and corrective measures taken to address findings in outstanding audit reports.

Office of Chief Financial Officer

This office functions as a principal office with regard to the resolution of certain audits by the Post Audit Group, as noted below. In addition, the Chief Financial Officer serves as the Department's Audit Followup Official (AFUO) and several other OCFO teams all have audit followup responsibilities for OCFO.

- **Audit Followup Official.** OMB Circular A-50 provides that agency heads are responsible for designating a top management official to oversee audit follow-up, including resolution and corrective action. In ED, the Chief Financial Officer is the designated AFUO.
- **Financial Improvement and Post Audit Operations.** Two groups under the Financial Improvement and Post Audit Operations (FIPAO/OCFO) play important roles in audit followup.
- **Post Audit Group (OCFO/PAG)** is responsible for:
 - ✓ Providing staff members' support to ED's AFUO, including monitoring ED's compliance with OMB Circular A-50, and preparing management's Semiannual Report to Congress on Audit Followup.
 - ✓ Chairing Department-level triage meetings and ALO issue meetings.

- ✓ Processing single audit reports and, along with program offices, ensuring that ED grantees meet the audit requirements of Circular A-133.
- ✓ Resolving program determinations for audit findings that involve discretionary grant programs and certain crosscutting issues.
- ✓ Coordinating ED training programs related to cooperative audit resolution.
- ✓ Reviewing documentation of implemented corrective actions, to ensure that pertinent documents are maintained and support closure.
- ✓ Providing leadership for special audit-related projects, including developing cooperative audit resolution policies and procedures, and representing ED on interagency audit followup committees.
- **Indirect Cost Group** is responsible for:
 - ✓ Resolving findings that require negotiating and establishing cost allocation plans and indirect cost rates where ED is the cognizant agency for cost negotiation and for findings relating to Local Education Agency (LEA) indirect cost oversight responsibility issues.
 - ✓ Resolving findings involving the implementation of previously approved substitute time distribution systems for State Education Agencies (SEA) or for LEAs.
 - ✓ Providing technical assistance to the action official on a range of other findings, including those involving indirect cost application issues. It is not responsible for actually resolving the findings.
- Financial Management Operations/Accounts Receivable Group, also in OCFO, is responsible for:
 - ✓ Establishing receivables for amounts owed to ED, based on program determination letters (PDLs). Collecting monies due ED, including audit liabilities.
 - ✓ Establishing repayment schedules and ensuring that scheduled amounts are collected.
 - ✓ Referring delinquent receivables to the Department of Treasury.
 - ✓ Referring delinquent accounts to OGC for legal action and/or referral to the Department of Justice.
 - ✓ Referring bankruptcy cases to OGC for filing claims on behalf of ED.
 - ✓ Recommending write-off of uncollectible debt.
 - ✓ Notifying the AO or the resolution team when collection activity has been completed.
 - ✓ Providing to the Department of the Treasury (on a quarterly basis) financial activity reports on receivables established for debts resulting from program reviews or similar regulatory reviews.

Office of the Secretary and Deputy Secretary

The Risk Management Service (RMS) is responsible for identifying risks and taking action to manage and mitigate risk that may adversely affect the advancement of ED's mission. It establishes ED-wide grants policy and procedures, and coordinates training and technical

assistance for ED's Grants Management Staff Members and grant recipients. RMS initiatives include the following.

- Developing risk analysis tools and strategies for use by program offices and training ED staff members to use these tools.¹³
- Establishing and maintaining an ED-wide grants monitoring strategy, and supporting grant-making offices in developing annual grants monitoring plans that use a risk management approach.
- Managing and coordinating activities for the select portfolio of ED's grants and grantees that are determined to have high concentrations of risk, including integrated site visits, negotiating corrective actions with the grantees, and ensuring that high-risk and at-risk grantees effectively address the risk factors identified by ED.
- Ensuring that accurate and useful information on ED grant requirements is developed and effectively communicated to grantees through training and on the Web, in order to improve grantee infrastructure and management capacity.

Office of Inspector General

The Office of Inspector General (ED-OIG) has a number of responsibilities, including the following.

- Serving as the ED liaison and coordinator with governmental audit organizations and independent public accountants and other non-governmental auditors.
- Conducting audits of ED program activities and operations, and conducting audits of recipients receiving education funds.
- Reviewing audit followup actions proposed or taken by an AO or advising an AO of ED-OIG's position when specific recommendations do not appear to have been adequately addressed.
- Reviewing all proposed resolutions for ED-OIG audits and single audits with findings involving questioned costs of \$500,000 or more.

Office of the General Counsel (OGC)

OGC provides legal advice to ED officials on audit followup and represents the agency in the case of appeals. OGC staff can be helpful in interpreting regulations, in weighing the type of resolution action supported by evidence obtained from auditors and auditees, and in crafting determination letters. Suggestions for when to contact OGC are included throughout the course.

¹³ In 2011, RMS launched the Decision Support System to facilitate risk assessment by program offices. A main product of the DSS is an Entity Risk Review, which provides a report that examines dozens of data indicators spanning three risk categories. Administrative Risk (examining grantee history on certain aspects of grant administration), Financial Risk (relying on indicators developed by Dunn & Bradstreet), and Internal Control Risk (relying on auditee data submitted to the FAC).

Office of Administrative Law Judges (OALJ)

The OALJ is organizationally located within ED's Office of Management, Office of Hearings and Appeals. The OALJ hears appeals concerning monetary program determinations in PDLs (and certain other specific types of cases involving enforcement of grant requirements) in applicable grant programs. The regulations at 34 CFR 81.2 define "applicable program" to include any program for which the Secretary has administrative responsibility, except a program authorized by the Higher Education Act of 1965, as amended, or the Impact Aid statute (Title VIII of the ESEA, 20 U.S.C. 7711).

In general, what is the process of external audit followup for ED-OIG and single audits?

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In general, the process of external audit followup includes (1) distributing, processing, and assigning external audit reports, (2) triage, (3) identifying resolution approaches, (4) issuing program determination letters, (5) managing appeals and resulting settlements or legal remedies, if an appeal occurs, and (6) closing the audit.

What is the process of ED-OIG external audit followup?

ED-OIG, or independent public accountants under contract to ED-OIG, conducts audits of ED grantees. A draft audit report is generally forwarded to the appropriate Principal Offices for review and comment before the final report is issued. The draft audit report is also made available to the auditee. Those who receive the draft report have 30 days to provide ED-OIG with comments. The auditee may request a conference to discuss the draft report. When ED-OIG issues the final report, it includes results of the audit, as well as written comments, conference discussions, and any other relevant information. ED staff members resolve the ED-OIG audit findings in the same way that they resolve single audit findings, with the additional requirement that ED-OIG review all determinations regarding its reports.

What is the process of single audit followup?

Within six months of receiving the audit report, an agency must issue a management decision, normally in the form of a program determination letter (PDL). A management decision is a written evaluation of the audit finding(s) that specifies the necessity for the auditee's corrective action. Within this six-month timeframe the following activities take place.

- **Distributing, Processing and Assigning External Audit Reports.** In this step, OCFO/PAG ensures that audit information is entered in AARTS and assigns the audit to the appropriate ED offices for resolution.
- **Triaging Audit Findings.** "Triage" refers to the process by which ED assesses the seriousness of each audit finding to determine the amount of attention needed for resolution.

The purpose of the triage process is to promote the most efficient use of external audits to assist management in achieving program goals and discharging its fiduciary responsibilities. ALOs contact staff to develop an appropriate and current strategy for resolving each of the audit findings. These discussions, typically monthly, involve staff from programs involved in the audit(s) under review, OGC, ED-OIG, RMT, and OCFO/PAG. In a recent enhancement of this process, ED has developed an Audit Prioritization Tool that is available at AARTS, as discussed below.

- The goal of triage is to ensure that audit findings are handled appropriately, legally and consistently across ED. Triage occurs at both the Principal Office and Department level.
 - ✓ Principal Office (PO) Triage
 - The ALO evaluates the audit findings and identifies any that may be misassigned or miscoded. If required, the resolution team initiates reassignment or recoding of findings.
 - The PO triage team recommends a resolution approach, namely whether the audit will be resolved in an abbreviated format, or requires detailed explanation of the determination reached, otherwise known as full resolution.
 - The resolution team contacts the auditee via documented written or verbal communication to:
 - Acknowledge receipt of the audit.
 - Invite the auditee to provide ED any additional information about the audit findings, corrective action planned or taken, any other pertinent data or information.
 - The PO triage team submits its recommendations for resolution to OCFO/PAG.
 - OCFO/PAG compiles recommended approaches for Department-level triage team review.
 - ✓ Department-level Triage
 - The Department triage team:
 - Reviews the PO triage team recommendations for audit followup.
 - Reaches consensus on the final resolution approach for each finding and/or audit report (which PAG updates in AARTS).¹⁴

Audit Followup Tools – See *Tool 7: Template for Risk Assessment* for a list of risk assessment questions and assessments.

¹⁴ If a Principal Office wants to change an approach from one decided by the Department-level triage team, the Department-level triage team must approve the change.

Exercise 4: Assessing Risk***What is AARTS and how is it used for external audit followup?*****Slide 18**

The Audit Accountability and Resolution Tracking System (AARTS) is a web-based application to assist ED's audit reporting and followup. AARTS:

- Enables tracking steps of the audit followup and closure process by
 - ✓ Adding, assigning, reviewing, updating, and closing audits, and
 - ✓ Creating, verifying, updating, and completing Audit Clearance Documents (ACD) and/or Program Determination Letters (PDL).
- Allows queries to generate management and ad hoc reports.
- Provides an Audit Prioritization Tool that can be used to prioritize the resolution of individual audits. The Tool is based on data extracted from FAC about individual audits and other data presented on the basis of calculated time frames (lateness of audits, whether the resolution of the audit is overdue, and when the statute of limitations is applicable to any questioned costs).
- Provides a data source for making risk assessments regarding improper payment.
- For single audit findings that include findings regarding ED program, AARTS provides the complete text of the finding(s), an alternative approach to the Image Management System.

What is the relationship between grant monitoring and audit followup?

Grant monitoring and audit followup have a dynamic relationship. In addressing recurrent and complex issues that require time to be corrected, Audit Followup Staff work closely with Grant Monitoring Staff to ensure continued oversight of auditees to verify that the grantee or subgrantee has taken agreed-upon corrective actions. In addition, auditing information can be very helpful in providing monitoring information to Grants Management Staff Members, for both pre-award and post-award decisions. With regard to pre-award decisions, ED can decide what conditions should be imposed on grantees with recurrent and serious findings. When the grant is in place, audit data about specific grantees can focus how monitoring is undertaken, or which compliance requirements to target. ED's internal guidance provides specific instructions about the relationship between grant monitoring and audit followup. There are also additional responsibilities for Grant Management Staff members related to audit followup.

ED's Internal Guidance

ED's internal guidance makes clear the connection between audits and grant monitoring through the following requirements in three major directives.

The *Handbook for the Discretionary Grant Process* states:

- Program staff must review and document audit data before issuing a continuation award to a grantee.
 - ✓ If a grantee has failed to submit a required audit under the Single Audit Act, program staff must consider not issuing a continuation grant.
 - ✓ If an audit has findings, the program staff must determine whether the findings have been resolved or are being resolved. In the case of serious findings, the program staff may take a number of actions, including designating a grantee high risk and imposing special conditions for the grant, requiring additional reports, imposing further prior approvals, providing additional monitoring and technical assistance, or not making a continuation award.

The *Guide for Managing State Administered Programs* states:

- Principal Offices must assess the quality of performance under a State's existing State plan by reviewing performance reports, monitoring results, audit findings (including those in single audits), and other relevant information available to ED.
- A formula grant may be closed out if the following criteria are met:
 - ✓ The Single Audits for the grant period have been completed, all audit findings (including from Federal audits) have been resolved and corrective action plans are in place, and amounts due back have been paid or a payment plan has been agreed to.

In 2011, RMS issued a *Grant Bulletin, Assessing Grant Applications Risk Prior to Making New and Continuation Awards*, which states:

- When assessing grant applications for new awards or continuations, prior to the awards, Program Offices should assess an entity's risk by reviewing, at a minimum, prior and/or current financial performance information, including the information in G5, information on compliance with Federal audit requirements, relevant findings in audit reports and monitoring reports, and progress on corrective actions to resolve audit findings.

See Exhibit 6: Grant Bulletin – Assessing Grant Applicant and Grant Recipient Risk Prior to Making New and Continuation Awards

From this internal guidance, it is clear that the grant award and monitoring processes are part of a cycle that must include attention to audits and audit followup.

Additional Responsibilities

In addition to those addressed directly in internal guidance, Grant Management Staff Members have responsibilities related to audit followup and monitoring. These include:

- Preparing grantees for audit readiness
- Ensuring that audits have taken place
- Working with Audit Resolution Staff Members to negotiate and close findings
- Providing technical assistance to address issues identified in audits, and
- Following up on resolution decisions and corrective actions.

Preparing Grantees for Audit Readiness. According to EDGAR, grantees are expected to follow all the requirements set forth in their grant awards. The requirements may be specific to a program, or crosscutting in nature, and apply to grant recipients generally. ED staff members who monitor grants should understand common findings sufficiently to help their grantees prepare for audits.

Ensuring that Audits Have Taken Place. ED's *Discretionary Grant Handbook* and *Guide for Managing State Administered Programs* state that program offices are to verify that audits have been submitted and to determine the status of corrective action on audit findings.

Working with Audit Resolution Staff Members to Negotiate and Close Findings. In resolving audits, staff members may need to access files regarding the specific grant(s) addressed in the audit, for example, copies of approved grant proposals, grant continuations, extensions of period of performance and the period of liquidation, communications between the auditee and ED, performance reports, guidance to grantees, and so forth. Grant Management Staff Members can provide access to these files, and explain the program office's interpretation of regulations.

Providing Technical Assistance to Address Issues Identified in Audits. Technical assistance supports any type of audit resolution, and may be provided in different ways (e.g., phone, email, and so forth).

- For some audit findings, more substantial technical assistance may be required. Such assistance may be offered through an on-site or monitoring visit, development of program guidance (e.g., Dear Colleague Letter), by an ED-funded regional comprehensive center or through similar efforts.
- An important aspect of audit resolution is providing auditees/grantees information they need to better understand and implement grant requirements. In the course of numerous communications with ED, much information is conveyed on these regulations. Resolution staff members are expected to document the guidance/technical assistance they provide. Close communication throughout the resolution process allows Grant Management Staff Members to monitor that grantees are following procedures to avoid recurrence of internal control weaknesses auditors have identified.

Following Up on Resolution Decisions and Corrective Actions. Both Grant Management Staff Members and Audit Resolution Staff Members have roles in following up on resolution decisions and corrective actions. In summary, after the PDL is issued, it is the resolution office's responsibility to ensure that corrective measures have been implemented, including collection of liabilities. Where the auditee in question is receiving further ED funds, or likely to, ED guidance indicates that coordination with Grant Management Staff Members may be appropriate to ensure appropriate monitoring is taking place.

In addition, Grant Management Staff Members should follow up with monitoring to ensure that corrective actions continue to be implemented, documentation is accurate and thorough, and grant monies and programs are managed appropriately to avoid subsequent audit findings.

Audit Followup Tools that can Assist in Grant Monitoring. As discussed earlier in this Module, both AARTS and the FAC database can provide management information for grant monitoring. For example:

- AARTS can yield information on the status of any audit findings at a grantee that ED might have resolved, or may be still resolving. This provides a data source for making risk assessments regarding improper payment.
- The FAC provides information about programs that are covered by an audit report, types of findings and questioned costs, and recurrence of types of finding, including how long and how many times. The FAC Image Management System provides more specific information, for multiple auditees (e.g., for reviewing a slate of grants), developing a strategy for grant monitoring, and assessing the frequency of findings over one or more grant programs (CFDAs).

Summary: Module 3

What are ED components of external audit followup?

- Audit followup includes ED players/stakeholders, processes, and database/audit information management systems.

Who are the ED players/stakeholders in audit followup?

- Offices that have a role in audit followup include (1) Principal Offices (roles include action officials, audit liaison officers, and senior managers with audit followup responsibilities); (2) the Office of Chief Financial Officer, which has a number of groups involved in audit followup; (3) the Office of Inspector General, which has responsibilities both for performing audits and for reviewing resolution actions for all ED-OIG audits and external audits with findings with questioned costs of \$500,000 or more; (4) the Office of the General Counsel (program attorneys should be consulted early in the followup process); (5) the Office of the Secretary, which receives appeals of OALJ decisions; (6) the Office of the Deputy Secretary, which includes the Risk Management Service, with its roles relating to grants policy and risk management; and (6) the OALJ, which hears appeals concerning monetary determinations.

What is the followup process for external audits?

- In general, the process of external audit followup includes (1) distributing, processing, and assigning external audit reports, (2) triage, (3) identifying resolution approaches, (4) issuing program determination letters, (5) managing appeal and resulting settlements or legal remedies, if an appeal occurs, and (6) closing the audit.

What is AARTS and how is it used for external audit followup?

- The Audit Accountability and Resolution Tracking System (AARTS) is a web-based application to assist ED's audit reporting and follow-up.

What is the relationship between grant Monitoring and audit followup?

- While it is sometimes not viewed as a part of the audit followup process, grant monitoring is a very important tool in audit followup, especially in ensuring that the grantee or subgrantee has taken agreed-upon corrective actions. In addition, auditing information can be very helpful in providing monitoring information to Grants Management Staff Members, for both pre-award and post-award decisions. ED's internal guidance makes clear the connection between audits and grant monitoring through requirements in major directives. Audit followup tools, such as the FAC and AARTS can provide information that is useful for grant monitoring.

Notes

MODULE 4: External Audit Resolution

The resolution of audits involves a number of stakeholders within and outside ED seeking to address timely the compliance problems indicated by findings and recommendations in audit reports. Most (single) audits do not have any findings. In other words, auditors usually report that grantees have complied with various requirements. In many cases, the lack of compliance is not significant and/or the auditee has already taken steps to correct the problem. ED mostly reaches agreement with auditees, who accept auditors' recommendations. When findings require more effort, it is important to note that it is in auditees' interest to seek resolution of outstanding audit findings. Audit reports are public documents and can generate adverse publicity at the local, state, and national levels. In some cases, adverse audit findings affects accreditation and funding. Auditees dislike returning funds, but understand they may need to do so, if costs are clearly unallowable or they have not been able to locate support for their position.

ED has adopted principles of cooperative audit resolution that stress the resolution of audit findings, particularly involving questioned costs, by mutual agreement. Through direct negotiation with the auditee, agreement may be reached on the appropriate resolution of the questioned costs. Effective resolution includes addressing the core, or root causes, for internal control weaknesses the auditors have identified, so the findings do not recur.

This Module provides an overview of stages and steps of the resolution process, and an introduction to related tools. The *Workshop on External Audit Resolution* course will include detailed information and hands-on exercises for resolving specific types of common audit findings.

What is a step-by-step process to resolve external audits?

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Broadly speaking, there are four main stages to the audit followup process, each with specific process steps.

Stage 1. Determining What Happened. During this stage, resolution staff members seek more information about the audit finding(s) and the auditee. They identify what the facts are where there is disagreement with the auditors, generate a strategy, and coordinate with others in ED about what information is needed.

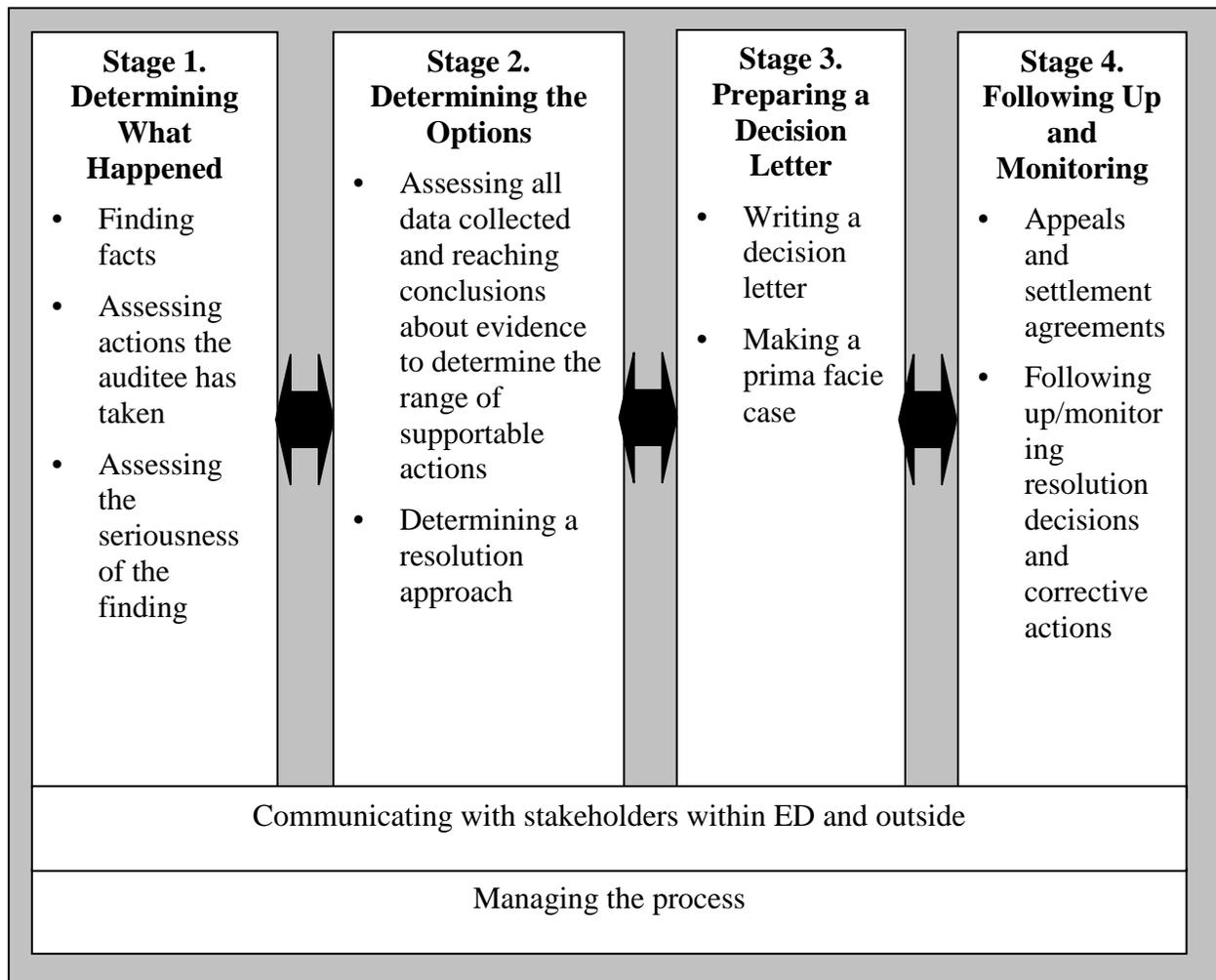
Stage 2. Determining the Options. The main objectives of this stage are to review the documentation obtained from different sources (auditors, auditee, ED program attorney, and Grant Management Staff Members) and determine what course of action is appropriate.

Stage 3. Preparing a Decision Letter. In this stage of the resolution process, resolution staff members, in coordination as needed with other offices, prepare a program determination letter, or PDL – that formally states ED's decision on the finding. Different types of resolution require

different types of letters. When monetary findings are involved the PDL may need to make a *prima facie* case.

Stage 4. Following Up and Monitoring. In the final stage, after the PDL is issued, it is the resolution office's responsibility to ensure that corrective measures have been implemented, including collection of liabilities.

In addition, the stages are supported by strategies for communicating with stakeholders within ED and outside, and managing the process.



At any point, the audit resolution process may be halted due to an investigation. ED-OIG, OGC, or another entity may inform the resolution team that the resolution should not proceed further. They may not be able to provide additional data.

Communicating within Stakeholders within ED and Outside

Audit Followup Tools – See the following tools.

- ***Tool 1: Template for Communication Planning***
- ***Tool 2: Summary of Successful Strategies for Reaching Agreement***

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There are many reasons to communicate within ED to resolve an audit, including the following.

- Learning the grant history is important. For example, it is not unusual for grantees to disagree with auditors' recommendations. What if an auditor finds that a program file was not properly completed, i.e., that students' eligibility was not documented or services provided were not recorded. Or, what if the auditor does not count certain services because they were not fully documented in each student's file, in a format that auditors could verify? Do you ask for the money the grantee has expended or do you ask for alternative documentation that could support the eligibility of those served? Do you request rosters of students that may have been maintained, from which you can identify what services were provided and to whom?
 - ✓ Grant Management Staff Members can provide essential grant documents, such as approved grant applications, reports the auditee submitted, communications with the grantee, and guidance on what may be acceptable alternative documentation. So, for example, whether to count certain services will require reviewing the grant application. It is also important to share with the Grant Management Staff Members the information that audits provide on how their grants have been administered. Even if there is no disagreement on the finding itself, it may not be clear what enforcement action to take. For example, if there is a matching finding, program administration staff members weigh in about what to do if matching has not been provided. They may help determine what action will be taken as a result of lack of compliance.
- ED's *Discretionary Grant Handbook* and *Guide for Managing State Administered Programs* state that program offices are to verify that audits have been submitted and to determine the status of corrective action on audit findings. .
- Consultation with OGC is critical when grantee mismanagement is known, and has led to the audit being requested, or other information indicates that agreement is not likely. In that case, early consultation with OGC is advisable in order to discuss the interpretation of regulations and to determine what documentation may be needed to support a *prima facie* case.
- Resolution of findings involving formula grants or recipients of multiple Federal grants may require coordination across several ED offices, when a finding involves internal control problems affecting several grants. On occasion, coordination cuts across other Federal agencies. Upon the receipt of an audit with crosscutting findings, the lead office for the finding (i.e., the office with the most funds in the finding) and collateral offices need to discuss how the resolution process will be managed – i.e., how findings will be resolved, and information obtained and analyzed; who will be contacted; what timetable will be developed;

how share updates on the status of resolution will be shared; and how any disagreements or delays that may arise over the course of the effort will be addressed.

Managing the Process

Resolution of audits must be timely. This is not only a statutory requirement. It is also essential so that ED can recover disallowed funds promptly, address compliance problems that may affect grantees that continue to receive funds, and provide feedback to auditors about the findings and recommendations.

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There are different techniques for expediting resolution and determining what priority to assign audit findings.

- The process starts at Triage, when an initial assessment is made of the complexity of the audit. This is subject to verification by resolution staff members as they get more information from auditors, the auditee, and Grant Management Staff Members. By determining the needed information and complexity of the resolution, one can more effectively plan how to close the full audit (i.e., all of the findings) within 180 days. This assists working concurrently on various findings, rather than sequentially.
- By assessing all of the findings at once, one can organize to most efficiently gather necessary information. For example, if an auditee will need to provide information related to several findings, the request for all of the information can be made at once, rather than finding-by-finding.
- Expediting resolution is also important when an assessment is made that an audit liability is probable, and may be barred if a determination letter is not issued before the tolling of the Statute of Limitations.

In addition to the overall needs of communicating about, and managing the process, the following four stages make up the resolution process.

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Stage 1. Determining What Happened

During this phase, resolution staff members seek more information about the audit finding(s) and the auditee. They identify what the facts are when there is disagreement with the auditors, generate a strategy, and coordinate on what information is needed. They will also assess actions the auditee has taken, and assess the seriousness of the finding. This stage involves three steps.

- Finding facts
- Assessing actions the auditee has taken

- Assessing the seriousness of the finding

Finding Facts

Audit Followup Tools – see the following tools.

- ***Tool 3: Template for Determining if a Finding is Correct***
- ***Tool 4: Template for Finding Facts from Auditee***
- ***Tool 5: Template for Finding Facts from Other Sources***

The type of questions to consider when an audit finding needs resolution include the following.

- Is the finding correct, (i.e., has the auditor correctly interpreted applicable laws or regulations)?
- If the finding is correct, has the auditor provided enough information to determine what action the auditee has taken, or will take, to address the finding?
- If the auditee concurs with the finding, what action, if any, does ED need to take as a result of noncompliance?
- If the auditee disagrees with a finding, the following activities may be necessary.
- Especially if funds may be disallowed, and the grantee has not yet reimbursed the grant(s), it may be necessary to seek from the auditors work papers that support how they reached their conclusion.
- Where the auditee disagrees with the finding(s) and/or a liability may be established, program attorneys can provide useful input into what kind of documentation may be needed.
- If the auditee has returned funds, documentation must support their actions. If findings involve key program features (e.g., eligibility of program participants) and corrective measures have been taken that have not yet been verified by a subsequent audit report, it may be necessary to verify the measures taken.
- In seeking information, it is important to work closely with the auditee to ensure understanding of the type of documentation that is needed (and not to waste time in resolution). This can be done by asking for specific documents, and providing guidance on the format in which to prepare information. In some cases, the auditee is encouraged to obtain the services of a certified public accountant to compile or review documentation that will be submitted to ED.
- To expedite the review process, consider using the *Matrix of Common Audit Findings*, which describes key compliance issues, the kind of documentation needed to correct them, and resolution options.
- Depending on the complexity and seriousness of the finding(s), resolution can also include reviewing the grantee's audit history at the Federal Audit Clearinghouse, in AARTS, and ED's cash management system (G5).

Audit Workpapers. A note on auditors and workpapers is important in this stage.

- In seeking workpapers the objective is to learn what the auditors did to reach their conclusion because typically resolution starts where the auditors stopped. This approach has the advantage of applying the same criteria (if the auditors correctly interpreted grant requirements) and building on the information that the auditors have already collected. It may be necessary to go further and seek alternative documentation the auditors did not or could not review, either because of inadequate time during their field review or because they did not consider it within their authority to make such assessments.
- While ED-OIG work papers set forth the rationale for the audits, and reference the various documents that have been developed or used, audit work papers obtained from single auditors are generally more limited in detail. Resolution staff members can request documents supporting specific questioned costs, explaining how the auditors calculated an amount, and the documentation from which their numbers were extracted. This can expedite follow-up discussions with auditee.

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Assessing Actions the Auditee has Taken

Audit Followup Tool – Tool 4: Template for Assessing Auditee Responsibility and Actions Taken to Date

This step involves different activities, depending on whether the finding includes questioned costs.

- **For findings that do not involve questioned costs.** A review is made of the adequacy of documentation provided regarding corrective steps to address internal control deficiencies. For example, the auditee may need to provide documentation that it has implemented a time accounting system that tracks employees' time by type of funding that is paying for the services it provides. If the information presented is not adequate, and corroborating evidence is not available, one would negotiate corrective actions that the grantee must still take to correct the problem. For example, the auditee may need to establish program guidelines and internal controls to ensure that funds are charged to eligible entities and activities.
- **For findings that involve questioned or unsupported costs.** Where an auditee concurs that questioned costs should be reimbursed, the evidence is reviewed to ensure that the auditee's actions have made the grant whole. In the event unallowable costs were incurred, was the grant credited? If excess cash was drawn, was it returned or spent on allowable costs, and any earned interest returned? In instances where the auditee provides sufficient evidence that funds were not spent in violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds, the AO does not sustain the questioned costs.
- **For findings involving questioned costs (other than unsupported costs).** In instances where the auditor has collected adequate information and the auditee cannot provide sufficient evidence that costs were eligible under the program, the AO must disallow the costs if there is a *prima facie* case for the recovery of those funds. Specifically, the *prima facie* case that the AO's determination makes must identify the Federal program funds in

question, the amount being disallowed, the fiscal year when the expenditures took place, and state the legal and factual basis for concluding that there has been an unallowable expenditure.

- **For findings involving unsupported costs.** In instances where the auditor has collected adequate documentation and the auditee cannot provide sufficient evidence that costs were supported and/or eligible under the program, the AO must disallow the costs if there is a *prima facie* case for the recovery of those funds.

Beyond any corrective actions to be taken by the auditee or ED, the resolution process also yields useful information on the auditees' understanding of applicable regulations. In consultation with other offices, resolution staff members can provide useful technical assistance to assist grantees with compliance. For example, they could provide advice on how to get an indirect cost rate, or samples of time distribution sheets.

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Assessing the Seriousness of the Finding

Audit Followup Tool – Tool 7: Template for Risk Assessment

The degree of effort expended in following up on an audit will depend on an assessment of the severity of the finding (including its recurrence, nature, and scope) and the evidence available to support the finding. Specifically, the audit resolution staff should assess the following aspects of the finding.

- **Recurrence.** A recurring finding indicates a more serious condition, unless there hasn't been enough time to correct it. But a one-time lapse can also be noteworthy, depending on the nature and scope of a finding.
- **Nature.** For ED programs, the type of finding, scope of the problem, and whether the finding is a questioned cost or an internal control finding has an impact on how it is handled.
 - ✓ **Type.** Findings about eligibility, delivery of services, excess cash, allowability of costs, availability of funds, matching/level of effort, and earmarking have greater weight for ED programs than those regarding Davis-Bacon labor requirements or procurement management (typically, but not always). It is worthwhile to look at findings cumulatively because they provide useful information on the extent of problems in an organization. This can be difficult to do because offices are typically assigned to look at discrete findings, rather than to look at organization-wide issues.
- **Scope.** Scope means the extent of the problem. As a starting point, OMB Circular A-133 does not require auditors to report findings with an impact of less than \$10,000. Beyond that threshold, scope has to be considered in making a judgment about a finding. For example, in cash management, is the excess draw \$3,000 or \$300,000? Was this a "one-time occurrence" or did it continue over the course of several months? In the case of eligibility, did the organization serve the number of students it said it would, with a handful that were not eligible, or did the organization fail to maintain documentation for most of the students? The

same question applies for services provided and documentation of costs (e.g., invoices, proof of receipt, checks).

- ✓ **Questioned Costs versus Internal Control Problems.** There is a lack of consistency in how auditors report on compliance. While some auditors may question costs, in addition to reporting an internal control deficiency, other auditors will state the internal control problem and not report the dollars associated with the failure to comply. Part of resolution is to ask additional questions to assess the implication of the finding and determine the scope of the finding. Based on what one learns in talking with the auditors and auditee, it is a judgment call whether to inquire about measures to correct the internal control lapse that led to the reported deficiency or also to seek refund of costs charged to the grant that are not properly documented.

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Stage 2. Determining the Options

The main objectives of this stage are to review the documentation obtained from different sources (auditors, auditee, ED counsel and Grant Management Staff Members) and determine what course of action is appropriate. Steps of this stage include the following.

- Assessing all data collected and reaching conclusions about evidence to determine the range of supportable actions
- Determining a resolution approach

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Assessing all Data Collected and Reaching Conclusions about Evidence to Determine the Range of Supportable Actions

Audit Resolution Staff Members need to answer the questions, “What conclusions can we reach about the evidence obtained,” and “What actions do the conclusions support?”

- Resolution staff members review available data to assess what evidence was collected and what audit determinations are possible.
- Depending on the number of records reviewed, how they were selected, and how any questioned costs were calculated, the auditors’ conclusions may support different resolution options, ranging from a determination that focuses on internal control process improvement to one that disallows costs and requires the recovery of expenditures.
- If more documentation may need to be examined than can reasonably be undertaken by resolution staff, the auditee may be requested to report on a review conducted by the auditee or an accounting firm engaged to do so. Resolution staff may be involved in discussions with the auditors to ensure the adequacy of the review.

As with the previous stage of the resolution process, determining the range of actions to take may necessitate involving other ED offices in reviewing information from auditees. For example:

- Grant Management Staff Members can explain what may be acceptable alternative documentation. Whether to count certain services will require discussing the approved grant applications and the interpretation of program regulations with Grant Management Staff Members. OGC can also help sort through what kind of documentation the auditee was required to maintain, whether the documentation the auditors collected supports recovery of funds, and how much. Where costs are disallowed, attorneys can also provide guidance on the type of documentation that needs to be referenced and attached to ED's determination letter. Where an auditee asserts there were mitigating circumstances and/or offsetting costs, attorneys and Grant Management Staff Members can assist in weighing the merits of the auditee's position and support for it.
- Especially when OIG audits are being resolved, their auditors, already familiar with the auditees' accounting systems and with the records the auditee provides, can be of assistance in reviewing the reliability and adequacy of documentation sent to ED during the audit resolution process. It is also worthwhile discussing with auditors a strategy for resolution (i.e., what kind of documentation to seek and how it will be evaluated) in order to get their perspective on the situation and to minimize disagreements when a program determination letter is sent for review.
- As noted elsewhere, RMS' staff members may be able to offer insights in light of their work in developing risk management tools and their experience in monitoring problem grantees.

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Determining a Resolution Approach

Audit Followup Tool – Tool 8: Template for Determining a Resolution Approach

There are two main resolution approaches available, with the approach taken depending on the severity of the finding – including whether it has, or is being, corrected – and the history of compliance by the auditee. The approaches are abbreviated resolution and full resolution. Technical assistance supports either type of resolution.

- **Abbreviated Resolution.** This option may be selected when an audit finding, which is not considered significant, has already been corrected or in the process of being corrected, or is not considered major or substantial.
 - ✓ Instead of a full PDL, this option is implemented through the use of either a standard form letter or a customized letter to the auditee which includes language indicating that ED has accepted the auditee's assertion that corrective action has been or will be completed and that this corrective action will be reviewed in a subsequent audit to ensure the action taken was appropriate. See the Handbook on the Post Audit Process for a sample abbreviated resolution letter.

- ✓ In addition, abbreviated resolution may be used if the auditee has already returned funds to the Federal Government that were questioned in the audit report.
- ✓ The abbreviated letter should not be used if requesting the repayment of funds, even if the auditee has already acknowledged that funds should be returned to the Federal Government, since the repayment request and appeal language must be included in the PDL.
- **Full Resolution.** Full resolution is the appropriate action to take when an audit finding is considered substantial or serious either because of monetary or program compliance issues or because it is a recurring finding.
 - ✓ Activities in full resolution generally require the review of the audit report as well as additional records, e.g., auditor's work papers. These additional records should be requested from the appropriate sources as soon as possible.
 - ✓ Findings requiring full resolution must be addressed in writing by ED to the auditee. This is usually in the form of a PDL.

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- Providing **Technical Assistance.** Technical assistance supports either type of resolution, and may be provided in different ways (e.g., phone, email, and so forth).
 - ✓ For some audit findings, more substantial technical assistance may be required. Such assistance may be offered through an on-site or monitoring visit, development of program guidance (e.g., Dear Colleague Letter), by an ED-funded regional comprehensive center or through similar efforts.
 - ✓ This assistance may be combined with requiring corrective action contained in a PDL.
 - ✓ It is important that all communication with the auditee related to technical assistance be documented and available in the audit file.
 - ✓ An important aspect of audit resolution is providing auditees/grantees information they need to better understand and implement grant requirements. In the course of numerous communications with ED, much information is conveyed on these regulations. Resolution staff members are expected to document the guidance/technical assistance they provide. Further, the exchanges with auditees/grantees can provide valuable information to Grant Management Staff Members on what additional monitoring may be needed to verify compliance with grant requirements where auditors have identified internal control weaknesses.

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Stage 3. Preparing a Decision Letter

In this stage of the resolution process, resolution staff members, in coordination as needed with other offices, carry out a variety of actions to address the findings and recommendations in the audit report. Generally speaking, there are two steps in this stage.

- Writing a decision letter
- Making a prima facie case, if necessary

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Writing a Decision Letter

Overview of Decision Letters. In this step of the process, staff members assigned to resolution of the audit finding develop a PDL for the AO, in concert with other departmental staff members (i.e., OCFO/PAG, OGC, and other offices), as appropriate.

Audit Followup Tools – see the following tools.

- *Tool 9: Checklist for Determination Letter Content*
- *Tool 12: Checklist for Determination Letter Format*
- As noted earlier, the resolution team considers:
 - ✓ All responses from the auditee.
 - ✓ All information included in the audit report.
 - ✓ Prior audit reports, PDLs, appeal decisions and other related documents issued for the auditee as they apply to the current findings requiring resolution.
- The resolution team may need to obtain additional information, such as audit work papers, or previously issued PDLs and appeal decisions, if any. The auditee may also have attestation engagements undertaken to provide information needed for resolution.
- On behalf of the AO, staff members assigned to resolution are responsible for preparing the PDL, in coordination with other offices as appropriate. To expedite review and clearance, staff members are expected to keep their program management and OGC attorney informed of the resolution approach.
- The PDL will include any information on appeal procedures that might be available to the grantee. The grantee will need to adhere to these procedures carefully, particularly with respect to the deadline for submitting an appeal.
 - ✓ PDLs issued with monetary determinations must contain a notice of the auditee's right to obtain OALJ review, if available under the applicable law, and notice of the right to request mediation of the dispute if an acceptable application for review is filed with the OALJ within 60 calendar days from the date the auditee receives the PDL. This applies to determinations on findings that are subject to GEPA rules.
- It is advised to seek OGC review of a draft PDL involving external audit findings where the AO determines that an audit addresses monetary or significant legal or policy issues. As noted elsewhere, ED-OIG reviews PDLs relating to OIG audits and single audits where findings involve questioned costs of \$500,000 or more.

- The AO issues the final PDL to the auditee via certified mail, not later than the end of the six months after issuance of the audit report for resolution.
- Staff members assigned to resolving the audit complete an Audit Clearance Document (ACD), an AARTS-generated electronic form that summarizes an AO's determinations in a PDL. The ACD serves as an AO's request to remove an audit report from the list of unresolved audits and to establish an accounts receivable for monetary determinations.

As noted earlier, staff members must consider whether the Statute of Limitations (SOL) bars ED from recovering an audit liability. GEPA states that no recipient under an applicable program shall be liable to return funds which were expended in a manner not authorized by law more than five years before the recipient received written notice of a preliminary departmental decision.

- In instances where the recovery of funds will be barred by the SOL within 24 months, all those involved in resolution – the AOs, OGC and OCFO/PAG – must expedite the audit followup and review process and issue a PDL for the audit as soon as possible. Partial PDLs, addressing certain findings, may be issued to minimize the impact of the SOL. ED staff members that have access to AARTS can generate a report on audits that are nearing the SOL.
 - ✓ **Streamlining PDLs.** In instances where it appears that little or no progress has been made by the auditee in correcting the deficiency, the AO may request that further evidence of actions taken to correct the deficiency be provided within a reasonable period of time, (e.g., 60 days after the PDL is issued). It is preferable, and more efficient, to request and assess the evidence during the resolution period, thereby avoiding ED sending multiple letters to followup on the same findings. Otherwise, ED may be sending multiple determinations on the same audit finding(s).
- **Documentation of resolution.** Just as auditors are expected to support their conclusions, it is important for resolution staff members to support their determinations. This involves ensuring that the resolution file contains documentation of the process followed and data used in reaching conclusions about audit findings and recommendations: whether to sustain a finding, how much to disallow, what corrective measures have, or will be taken by auditees, and how followup will occur.

Making a Prima Facie Case

The text included in this Module is for participants' reference. In addition, OGC will make a presentation and facilitate a discussion about decision letters and prima facie cases. The OGC slides are included in the course notebooks.

Audit Followup Tools – see the following tools.

- ***Tool 10: Template for Making a Prima Facie Case***
- ***Tool 11: Checklist for Case Support in a Full Resolution Determination Letter***

In resolving the audit findings, all decisions to allow or disallow costs must be determined on the basis of applicable laws, regulations, policies, cost principles and other provisions of the specific award document, taking into account authoritative interpretations issued by the courts, GAO, OGC, ED's OALJ, or other appropriate authorities.

The PDL must establish a *prima facie* case for the recovery of funds, including an analysis reflecting the value of the program services actually obtained in determining harm to the Federal interest. A *prima facie* case is a statement of the law and the facts that, unless rebutted, is sufficient to sustain the conclusion drawn in the PDL (34 CFR 81.34(b)). In a PDL, the AO has the burden of "establishing a *prima facie* case for the recovery of funds" (Part D, Section 452(a)(2) of GEPA, 20 U.S.C. 1234a(a)(2)). The following instructions about making a *prima facie* case come from the *Handbook for the Post Audit Process*.

- The PDL should identify:
 - ✓ The particular grant(s) and program(s) to which each disallowance relates,
 - ✓ The amount of disallowance for each finding,
 - ✓ How the disallowance was calculated by the AO (e.g., whether certain evidence submitted by the auditee was used to reduce the disallowance, whether and to what extent estimates or prorating was used to calculate the disallowance),
 - ✓ The period to which the disallowance relates,
 - ✓ The pertinent facts that led to the conclusion that funds must be returned or are not sought to be returned,
 - ✓ All relevant legal authority supporting the disallowance, and
 - ✓ All evidence supporting that a violation occurred.

In establishing a *prima facie* case for the recovery of funds, the PDL must contain the underlying factual evidence supporting the violation. This evidence may be from an audit report, an investigative report, a monitoring report, audit documentation, or other sources. The underlying evidence, such as reports or audit documentation, should be attached to the PDL, as appropriate. The PDL should not refer to privileged documents.

In calculating the amount of funds that a recipient should be directed to return, ED's AOs must take into consideration (1) the proportionality standards, (2) relevant mitigating circumstances, and (3) the effect of the Statute of Limitations.

Proportionality. Any amount disallowed in a PDL must be "proportional to the extent of the harm [the] violation caused to an identifiable Federal interest associated with the program." 20 U.S.C. 1234b(a)(1); 34 CFR § 81.32(a)(1). It is important, therefore, that there be a clear link between the particular funds at issue and the legal authority that serves as the basis for the disallowance. In general, a PDL should describe the harm that a particular violation represents to an identifiable Federal interest. Identifiable Federal interests include, but are not limited to, serving only eligible beneficiaries, providing only authorized services, complying with expenditure requirements (such as set-aside, excess cost, maintenance of effort, comparability, non-supplanting, and matching), preserving the integrity of application, recordkeeping and

reporting requirements, and maintaining accountability for the use of funds 20 U.S.C. 1234b(a)(1); 34 CFR 81.32(a)(2). A PDL must also provide an analysis reflecting the value of the program services actually obtained in determining the extent of the harm to the Federal interest caused by a particular violation.

Mitigating Circumstances. Under Section 453(b)(1) of GEPA, the Department is precluded from recovering funds from certain types of recipients if a violation is attributable to certain specifically identified mitigating circumstances. The limited instances in which mitigating circumstances would permit state and local educational agencies to avoid liability for misspent funds are detailed in 34 C.F.R. § 81.33. In general, the PDL should specifically address the issue of mitigating circumstances only if the issue has already been raised by the grantee or if it is clear that mitigating circumstances exist.

Statute of Limitations. If any part of a monetary determination is barred by application of the Statute of Limitations, the amount barred should be subtracted from the amount directed to be returned.

Exercise 5: Planning a Program Determination Letter

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Stage 4: Following Up and Monitoring

There are two steps in this stage.

- Appeals and settlement agreements
- Following up/monitoring resolution decisions and corrective actions

Appeals and Settlement Agreements

Appeals. According to the laws and regulations applicable to the program and audit, auditees may appeal ED's PDL, normally to the OALJ. The recipient must file a written application for review no later than sixty days after the date it receives the PDL. Resolution staff members and program attorneys work closely in defending the determination, or, when appropriate, reaching a settlement agreement.

Settlement Agreements. After the PDL is issued, ED and the auditee may resolve audit findings, particularly those involving questioned costs, by mutual agreement.

- Any settlement agreement also has to acknowledge the limits on the scope of the settlement. ED can only settle matters within its own authority and cannot resolve matters involving potential criminal or tax liabilities or issues within the authority of other agencies.

Following up/Monitoring Resolutions Decisions and Corrective Actions

As discussed earlier, both Grant Management Staff Members and Audit Resolution Staff Members have roles in following up on resolution decisions and corrective actions. In summary, after the PDL is issued, it is the resolution office's responsibility to ensure that corrective measures have been implemented, including collection of liabilities. Where the auditee in question is receiving further ED funds, or likely to, ED guidance indicates that coordination with Grant Management Staff Members may be appropriate to ensure appropriate monitoring is taking place. As needed, and if high-risk conditions exist, consultation also may be required with RMS.

In addition, Grant Management Staff Members should follow up with monitoring to ensure that corrective actions continue to be implemented, documentation is accurate and thorough, and grant monies and programs are managed appropriately to avoid subsequent audit findings.

What is the difference between closing a finding and closing the external audit?

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Remember that a ***finding*** is closed when:

- The auditee has addressed the finding with a corrective action and implemented it, and
- The Government has collected all funds, if required.

The AO is responsible for following up on non-monetary determinations to ensure that all appropriate corrective action has been taken. OCFO/PAG is responsible for ensuring that systems are in place to followup on corrective actions. Primary responsibility for following up on recovery of funds rests with OCFO, with the assistance of relevant POs.

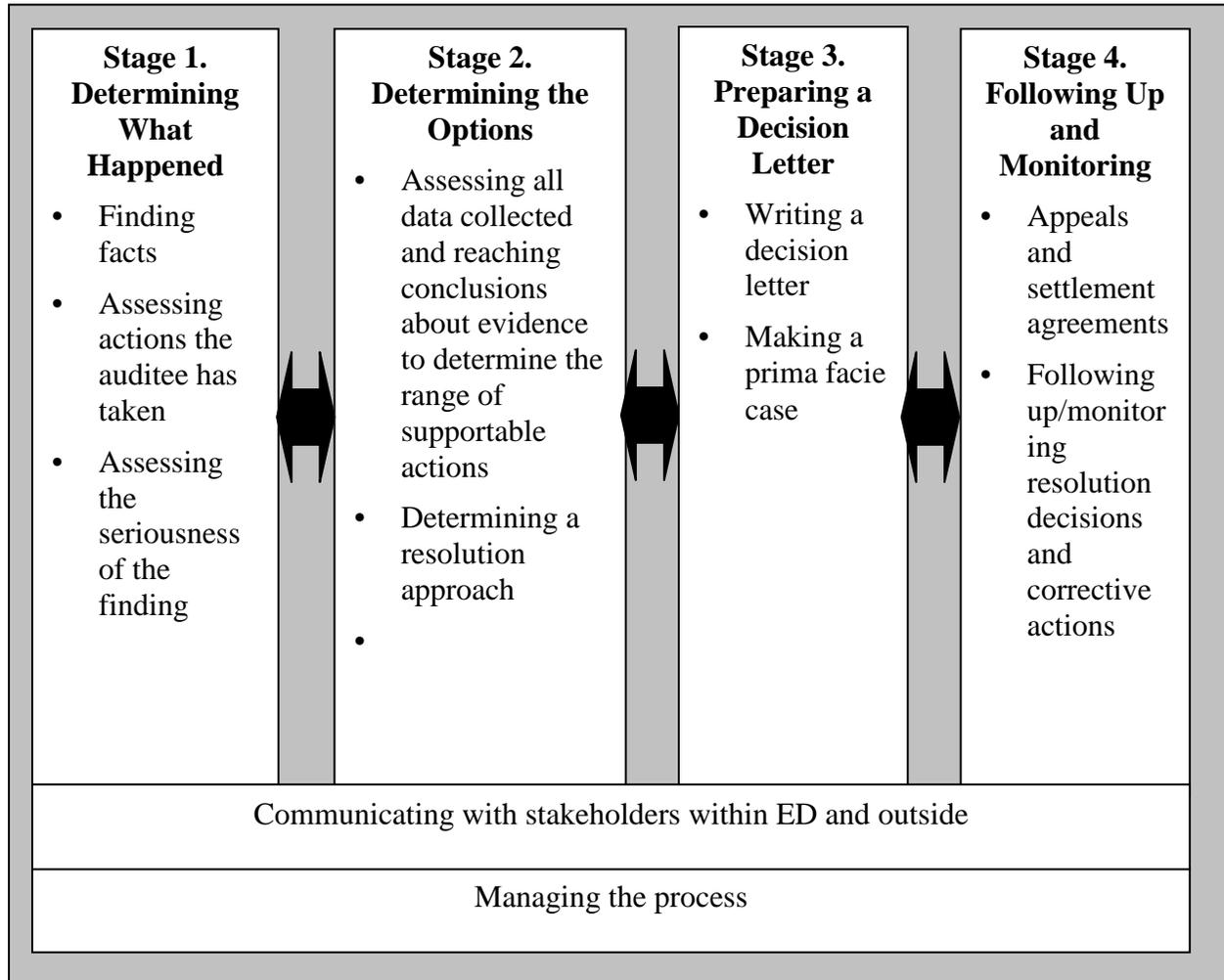
The ***audit*** is closed when the resolution team has closed all findings in AARTS.

Grant Management Staff Members should follow up with monitoring to ensure that corrective actions continue to be implemented, documentation is accurate and thorough, and grant monies and programs are managed appropriately to avoid subsequent audit findings.

Exercise 6: Resolving a Single Audit Finding

Summary: Module 4

What is a step-by-step process to resolve external audits?



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