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# Financial Audits and You



Corporation for  
NATIONAL &  
COMMUNITY  
SERVICE 



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# Inspector General Audits

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- IG audits and procedures are Corporation-specific
- They confirm compliance with CNCS regulations, grant terms and conditions and program requirements as well as the OMB Circulars and other requirements for federal assistance
- Are usually “Agreed-Upon Procedures,” not audits
- They are performed by independent accounting firms on contract to the OIG



# A-133 Audits

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- ❑ A-133 audits include both the entity's financial statements and review of federal awards
- ❑ Include specific compliance components for managing federal grants
- ❑ Provide guidance to your audit firm on what to test in your federal grants
- ❑ Are required if you expend more than \$500,000 in federal funds in a fiscal year



# A-133 Audits will:

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- ❑ Express an opinion on whether your financial statements are presented fairly and conform with good accounting practices
- ❑ Identify reportable conditions and material weaknesses
- ❑ Include a schedule of federal expenditures



# OIG and A-133 Audits Check:

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- ❑ If you have effective accounting procedures in place
- ❑ If you maintain appropriate documentation to support all expenditures of the organization
- ❑ If you have written policies and procedures in place to comply with all requirements
- ❑ If you maintain a good control environment



# Components of an OIG Audit

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- ❑ Review of written policies and procedures for financial management
- ❑ Review of internal control policies and procedures
- ❑ Reconciliation of your general ledger to your federal financial reports
- ❑ Sampling of costs to ensure supporting documentation is maintained
- ❑ Sampling of volunteer/participant files to ensure compliance with CNCS regulations



# Steps in OIG Process

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- Notification letter
- Entrance conference
- Survey phase
- Field work
- Exit conference
- Draft report
- Response to draft
- Final report
- Audit resolution



# What is an OIG Compliance Review?

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- Procedures to ensure grantees have controls in place to meet grant management requirements contained in:
  - Grant provisions
  - CNCS regulations
  - OMB Circulars



# Sample Policies and Procedures for Good Controls

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- ❑ Authorization of Transactions
- ❑ Cash Receipts Procedures
- ❑ Payroll Procedures
- ❑ Records Retention
- ❑ Separation of Duties
- ❑ Budgeting
- ❑ Financial Reporting
- ❑ Travel Regulations
- ❑ Personnel Policies



# What are questioned costs?

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- Auditors will question costs if the accounting records can't be traced back to appropriate supporting documentation that:
  - Demonstrates the expenditure was allowable and allocable to a grant
  - Shows an equitable basis of cost allocation
  - Includes a specific dated invoice or receipt that identifies the specific cost
  - Demonstrates the expenditure was properly authorized



# Preparing for an OIG Audit

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- ❑ Start when you receive a Corporation grant
- ❑ Review all requirements and develop written policies and procedures to comply with them; handbooks are very useful
- ❑ If you have subgrantees, train them on all grant requirements and establish a robust monitoring process to ensure they have systems in place to comply with all grant provisions and regulations



# When you receive notification from the OIG

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- ❑ Determine what years the audit will cover
- ❑ Pull files from storage if you have already archived them for the years to be audited
- ❑ Alert your subgrantees
- ❑ Gather your policies and procedures
- ❑ Ensure your FFRs are reconciled to your financial records



# During the Audit

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- ❑ Be available to the auditors to answer questions, provide documentation
- ❑ Contact the Corporation for policy clarification, if needed
- ❑ If you have subgrantees, attend the entrance and exit conferences at each subgrantee where the auditors will test a sample of costs



# What is Audit Resolution?

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- The phase during which management officials:
  - Review the auditor findings and recommendations
  - Determine if questioned costs will be disallowed
  - Work with the auditee to take any corrective action
  - Confirm that the auditee has completed all corrective action
  
- Audit Resolution results in a management decision that must be completed within six months
  
- During audit resolution, the Corporation may consider “alternative” documentation to resolve audit findings



# After the Audit

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- Respond to all of the audit findings and recommendations
- Develop a corrective action plan to address the findings



# What is a corrective action plan?

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- Comprehensive documentation that describes what you have already done and what you will do to resolve the findings and address the recommendations
- It must include a timeline for completing all appropriate action



# What is a management decision?

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- ❑ The Corporation's response to the audit and your corrective action plan
- ❑ A document that resolves the questioned costs and determines whether or not they will be allowed or disallowed
- ❑ A document that describes what the organization has done or still needs to do to address the audit findings



# Common OIG Audit Findings

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- ❑ Staff and/or volunteers do not maintain proper timesheets
- ❑ The general ledger does not reconcile to the Federal Financial Report
- ❑ Costs incurred outside of the budget period are charged to the grant
- ❑ Matching costs are not supported



# More Common OIG Audit Findings

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- ❑ Grantees charge staff time to the grant based on budgeted time, not actual time
- ❑ AmeriCorps members have insufficient hours documented to support properly certified award
- ❑ Background checks are not completed or the documentation is missing
- ❑ Senior Corps and AmeriCorps volunteer eligibility requirements are not met



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# Questions?