A-133 Single Audits: Common Audit Findings & Ways to Mitigate and Prevent Them

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Education & Government Services
City of St. Petersburg, Florida
**Session Objectives**

- Introduce you to the Internal Controls Framework and the 14 compliance requirements considered in every audit conducted under OMB Circular A-133

- Focus on some common audit findings municipal grantees receive

- Identify ways to protect your organization by proactively working to mitigate and prevent audit findings
• Community & Organization

– St. Petersburg is Florida’s 4th most populated city and the nation’s 76th

– Grants portfolio of $154M in 136 active externally-funded awards; federal expenditures around $12M annually

– Decentralized grants enterprise that encompasses around 200 grants administrative personnel
• Community & Organization

– Before 2006, the city received on average 15 compliance findings during Single Audits

– In 2006, city created a new position to shore up citywide grants management

– Post 2006: just completed fourth consecutive annual Single Audit with no audit findings (audited by 2 different auditing firms)
What World Do You Live In?

OMB Circulars & A-133 Compliance Requirements Matrix
### Which Circular Do I Follow?

<table>
<thead>
<tr>
<th>Grantee Type</th>
<th>Administrative Requirements</th>
<th>Cost Principles</th>
<th>Audit Requirements</th>
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<tbody>
<tr>
<td>Non-Profit Organizations</td>
<td>A-110</td>
<td>A-122 (2CFR, Part 230)</td>
<td>A-133</td>
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A-133 Compliance Requirements Matrix

- Identifies compliance requirements applicable to the federal programs of each respective agency
- Each requirement contains a “Y” if it may apply, or is shaded if the program normally does not have activity subject to compliance requirements
- ARRA funded programs are shown in bold and “Special Tests and Provisions” is marked as “Y” due to the coverage of ARRA
### OMB A-133 Compliance Requirements Matrix

#### Types of Compliance Requirements

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**OMB provides details on the requirements of each program at:**

http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2011
The (14)A-133 Compliance Requirements and What You Need to Know About Them

- **Activities Allowed or Unallowed (A)**
  - Specifies the activities that can or cannot be funded under a specific program

- **Allowable Costs / Cost Principles (B)**
  - Specifies the costs that can and cannot be funded under a specific program and how they are calculated and supported
A-133 Compliance Requirements (cont)

• Cash Management (C)
  – Reimbursements are properly supported
  – Advance payments are properly managed
  – Interest earned on advance payments is inconsequential

• Davis-Bacon Act (D)
  – Contractors are paid prevailing wages of the local department of labor
A-133 Compliance Requirements (cont)

- Equipment and Real Property Mgmt (F)
  - Management, use and disposal of equipment or real property

- Matching, Level of Effort, Earmarking (G)
  - Matching, required cost share
  - Level of effort, required participation from period to period
  - Earmarking, setting aside funding for a purpose
A-133 Compliance Requirements (cont)

- Period of Availability of Federal Funds (H)
  - Expenditure are within the grant period
  - Claims have been made within a reasonable time after the grant period

- Procurement, Suspension, & Debarment (I)
  - Federal, state or local procurement laws are followed
  - Vendors and sub-recipients are not suspended or debarred
A-133 Compliance Requirements (cont)

• Program Income (J)
  – Income generated by Federal funds are used for program expenditures
  – Income generated by Federal program offset Federal claims

• Real Property Acquisition and Relocation Assistance (K)
  – Equal treatment by persons displaced by the Federal government
A-133 Compliance Requirements (cont)

• Reporting (L)
  – Reporting results: Performance, Financial and Special reporting-timely & accurate?

• Sub-recipient Monitoring (M)
  – Monitoring pass-through funding

• Special Tests (N)
  – Other
• **Improper Payments**
  
  – Payment that should not have been made or was incorrect amount
  
  – Incorrect amounts are overpayments or underpayments made to eligible recipients
  
  – Payments made to ineligible recipient or for ineligible goods or services, or payments for goods or services not received
  
  – Payments an agency’s review is unable to discern whether proper as a result of insufficient or lack of documentation
• Compliance Requirements Summary
  – Know what rules govern your world – OMB Circulars and Compliance Supplements
  – Learn the A-133 Compliance Requirements
  The Matrix a good way to start the understanding of the most common audit findings, because findings usually stem from not meeting one of the compliance requirements defined in the Supplement
  – Educate your organizational workforce
Some Common Single Audit Findings
• Top General Audit Findings
  – Failure to prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA)
  – Poor cash management practices
  – Charging unallowable costs onto grant
  – Insufficient subrecipient monitoring
Top General Audit Findings (cont)

- Lack of competitive bidding documentation
- Program serving ineligible participants
- Earmarking, e.g. excessive administrative costs
- Progress reports not filed on time
• **Common Fiscal Reporting Findings**
  
  – Grantee fails to file fiscal cost reports timely as required by grant contracts
  
  – Grantee fails to prepare fiscal cost reports from accounting records
  
  – Grantee fails to reconcile fiscal cost reports to accounting records
  
  – Grant Fiscal Officer signature certified that fiscal cost reports are reconciled to accounting records
• **Common Accounting Records Findings**
  
  – Grantee does not establish a separate set of expenditure ledger accounts in which to exclusively record grant program expenditures as required by grant contract
• **Common Findings: Cost Categories**

**PERSONNEL SERVICE**

– Grantee fails to establish and maintain a personnel activity reporting system as required by federal regulation

– Grantee fails to have employees and supervisors prepare and sign time sheets
• Common Findings: Cost Categories

PERSONNEL SERVICE

– Grantee fails to have employees working full-time on federal grant certify at least semi-annually as required by federal regulation

– Changes in key grant staff or changes in personal service by more than 10% without first obtaining written approval (from grants program officer)
• Common Findings: Cost Categories

FRINGE BENEFITS

– Grantee fails to document actual fringe benefit expense or rate, and claims budgeted fringe benefit rate
• Common Findings: Cost Categories

CONSULTANTS

– Grantee fails to obtain prior written approval of consultant contract(s)
– Grantee fails to ensure or document completion (or sole source justification) for consultant contracts
– Grantee fails to enter into a written contract with consultant(s)
• Common Findings: Cost Categories

EQUIPMENT

– Grantee fails to complete or submit equipment receiving and inventory report form

– Grantee fails to ensure or document competition (or sole source justification) for equipment purchased with grant

– Grantee fails to properly dispose of equipment purchased on federal grant
• **Common Findings: Cost Categories**

**SUPPLIES, TRAVEL, OTHER**

- Grantee fails to document actual expenditures for grant supplies and claims budgeted supplies amount
- Grantee fails to obtain prior approval for out of state travel of staff not on the grant payroll
- Grantee fails to document actual expenditures for the “all other grant cost category” and claims a percentage for indirect administrative expenses, or allocates indirect costs without a federally approved indirect cost rate
Ways to Prevent Single Audit Findings
• Most A-133 audit findings relate to *inadequate policies and procedures*

• Create a grants administration program that incorporates the A-133 compliance requirements and audit internal controls framework as program foundation

• Expect organization grants personnel to manage awards based on A-133 compliance requirements
• Necessary Internal Controls Framework
  – Control Environment – Organizational structure and culture (created by management and employees) that sustains organizational support for effective internal control
  – Risk Assessment – Management identifies internal and external risks that may prevent the organization from meeting its objectives
• Internal Controls Framework
  – **Control Activities** – Control activities include policies, procedures and mechanisms in place to help ensure that institutional objectives are met
  – **Information and Communication** – Information should be communicated to relevant personnel at all levels within an organization
• **Internal Controls Framework**

  – **Monitoring** – Monitoring the effectiveness of internal controls should occur in the normal course of business by staff, managers, and internal auditors.
• Creating a Comprehensive Grants Management Program in St. Petersburg

– Build a Foundation:
  • Organization Grants Administration Manual

– Design Useful Program Mgmt Tools:
  • Internal Control Forms
  • Central Website with Program Info
  • Org Newsletters
  • Email Blasts
  • Grant Admin Questionnaires
Creating a Comprehensive Grants Management Program In St. Petersburg

- Educate Your Workforce:
  - Develop organization-wide training program that defines the rules that govern your awards
  - Require “audit ready” status at award setup
  - Routine “audit” checkup to confirm compliance with internal controls
Changes in Project

Grantor must be notified in writing PRIOR to changes in project manager or project scope.

Subcontracting

Award has subcontracts.

Contractor Suspension and Debarment verification must be performed: (federal and state sites)
http://find.federalbusiness机会.com/business_operations/state_purchase/supplier_information/obtain_suspended_discriminatory_complaint_vendor_list

A subaward is issued when part of the programmatic effort of the prime award must be performed by an external entity with special expertise or resources that the city does not possess, but are necessary to fulfill the overall objectives of the project. This type of subcontract usually requires prior approval of the grantor and is subject to appropriate legal requirements.

Subcontractor: TBD
Subcontractor: TBD is considered a VENDOR / SUBRECIPIENT (identify) under this award.

Equipment

Equipment will be purchased.

Title of property vests with CITY/GRANTOR?

Equipment purchased with grant funds shall be used exclusively for the project or program for which it was acquired during the life of the grant.

Equipment records must be maintained per city policy, and the equipment must be properly maintained and safeguarded.

When no longer needed for its originally authorized purpose, the Award Manager shall request disposition instructions from the grantor (Appendix E, City Administrative Policy No. 040200 "Property Inventory & Fixed Asset Control").

Reallocating the Budget

Budget changes in excess of $ 0 or 0% require PRIOR Grantor approval.

Other:

Reports and Invoicing

Invoices are due: monthly quarterly semi-annual annual

Financial progress reports are due: monthly quarterly semi-annual annual

Technical progress reports are due.

Personnel Effort Certification

Time sheet must identify the project and award when grant related.

Payroll punch detail sheet must be initialed by supervisor.

Timesheets must be signed by employee and supervisor.

Other

Davis Bacon Required; Real Property Acquisition; Unallowed activities or costs; Any other pertinent grant rules
Grant Release Checklist

Subrecipient Monitoring Requirements

A **vendor agreement** is issued for obtaining routine commercial services, supplies, and equipment that require no special handling or prior approvals, and are issued as standard purchase orders.

A **subaward** is issued when part of the programmatic effort of the prime award must be performed by an external entity with special expertise or resources that the city does not possess, but are necessary to fulfill the overall objectives of the project. This type of subcontract usually requires prior approval of the grantor and is subject to subrecipient monitoring.

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<thead>
<tr>
<th>Subcontractor</th>
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<th>is considered a</th>
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<th>under this award</th>
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The federal regulations that describe subrecipient monitoring are general, but contain the following core elements of compliance:

- **X** Contractor Suspension and Debarment verification must be performed; (federal and state sites)
- **X** All subawards issued under federal grants must contain language requiring subrecipients to fulfill the prime grant requirements, AND subrecipients must be advised of all applicable federal laws, regulations, and flow-down provisions from the prime agreement
- **X** Routine receipt and review of technical performance/progress reports
- **X** Routine review of expenses-to-budget
- **X** Periodic on-site visits, or regular contact, if necessary
- **X** Review of A-133 audit reports filed by subrecipients and any audit findings
- **X** Review of corrective actions cited by subrecipients in response to their audit findings
- **X** Consideration of sanctions on subrecipients in cases of continued inability or unwillingness to have required audits or to correct non-compliant actions
- **X** The option to perform "audits" if necessary

**All subawards for which monitoring is mandated shall be reviewed regularly throughout the year to ensure compliance with prime award requirements.**
In this issue:

- The Recovery Act and the City
- New Opportunities for Grants Funding
- The Single Audit
- Revisiting Contract Management in Oracle
- Indirect Cost Rate Negotiated
- Changes to Projects/Grants Administrators

CGO’s Page

IN THIS ISSUE

It has been just over one year that the American Recovery and Reinvestment Act (ARRA, aka Recovery Act) was put into law, and with all of its benefits has also come a whole new slew of requirements to document its success and to ensure full accountability and transparency of the use of tax payer dollars. This issue provides an update and discusses those elements most important to city personnel working on ARRA funded projects.

As we continue to trudge through the Great Recession, we all know that revenue is down and budgets are tight. This issue introduces a new resource to help you find new funding opportunities that can help you find the money needed to get those special and worthy projects underway.

Also in this issue, the Single Audit is completed and we’ve had another successful year in keeping those audit findings at bay! Lastly, some followup on the contract management, our indirect cost rate negotiations, and some reminders of general grants management.

As always, your success is what I’m here for. Let me know how I can help.

M. Wayne Finley
Contracts & Grants Officer
wayne.finley@stpete.org  813.7087

http://www.stpete.org/budget/contractsgrants.asp
CONTRACTS AND GRANTS MANAGEMENT

The city's contracts and grants management program provides a comprehensive approach to increase grant funding opportunities and enhance service delivery to CSP contract and grant administrators, and ultimately the citizens of St. Petersburg.

Grants

Grants awarded to CSP are financial assistance from external entities that support of public projects, and are dispensed to the city directly or passed through another entity such as the state or other governmental and non-state entities.

Accounting properly for grant expenditures and providing program documentation and evaluation is critical to the renewal of city grant awards and our continued success in obtaining external funding.

All departments should contact the Contracts & Grants Officer in the Budget and Management Department for assistance when considering a
Ways to Mitigate Single Audit Findings
• **Single Audit Action Plans**
  
  – Management’s responsibility to prepare
  
  – Establish action plans that include performance measures
  
  – Mandatory: responsible department directors and grants personnel required to attend action plan reviews
  
  – Develop quarterly reporting periods to monitor compliance performance
• Single Audit Performance Measurements
  
  – Identify the action required
  
  – Identify responsible parties
  
  – Identify course of action for responsible parties
## A-133 Single Audits: Common Audit Findings & Ways to Mitigate and Prevent

### Single Audit FY07 Plan of Action/Measure of Performance

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<th>Corrective Action</th>
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<td>2007-6: Davis Bacon Act, certification of payrolls</td>
<td>The assigned Davis Bacon Coordinator will receive additional training, and a checklist will be developed for documenting that the required payroll review has been completed prior to payment of invoices.</td>
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<tr>
<td>Responsible Party: <strong>Engineering</strong></td>
<td>Measure of Performance: Department has designated an engineer II as the Davis Bacon coordinator. The Davis Bacon coordinator receives certified payroll data from contractors prior to payout.</td>
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<td>2007-11: Contractor Suspension and Debarment verification</td>
<td>The City has developed a grant release checklist that indicates whether an award has subcontractors, and defines them as vendors or subrecipients. The checklist notifies project and award managers that contractor suspension and debarment verification must be performed at the Federal and State level, and provides the verification websites. The City has developed a contractor suspension and debarment verification form that will be a routine part of completing initial project setup. In addition, the Purchasing Department has a link on its website to the State’s convicted and suspended vendor lists. This list is checked when grant funds are used for major purchases. We are in the process of updating the Purchasing Department’s workflow to ensure that the contractor/vendor suspension and debarment verification occurs every time.</td>
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Finding: 2007-7: Compensation for personnel services, personnel activity reports

Responsible Party: Budget & Finance

Corrective Action:
The City has developed a Grants Administration Manual that addresses the policy of documenting employee activity as required in 2 CFR 225. This manual will be distributed to all City departments. City staff responsible for managing external grants will be informed of the requirements necessary for grant compliance during regularly provided training events.

Schedule:
First quarter of fiscal year 2008

Measure of Performance:
Adding section to Grant Release Checklist specifying payroll certification requirements:
1) Time sheet must identify project/award when grant related
2) Payroll punch detail sheet must be initialed by supervisor
3) Timesheets must be signed by empl&super.
• Key Elements for Audit Success

– Ensure management buy-in

– Ensure respective grants personnel are enlightened and empowered – can only occur through workforce education

– Ensure action plan performance measurements are met via regular checkups
In Summary...
What We Covered In This Session

- Introduced you to the 14 compliance requirements considered in every audit conducted under OMB Circular A-133
- Identified some of the most common audit findings municipal grantees receive
- Identified ways to protect your organization by proactively working to mitigate and prevent audit findings
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Questions?
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Website: http://www.stpete.org/budget/contractsgrants.asp
727.893.7087