



BROADBANDUSA
CONNECTING AMERICA'S COMMUNITIES

Audit Overview

Quick-Guide to Understanding Audit Requirements for BTOP Program Recipients

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What are the origins of Federal audit requirements?

- Prior to 1984, each Federal awarding agency was responsible for the audit of its own awards. With many entities receiving awards from more than one Federal agency, this grant-by-grant process placed an undue burden on award recipients and inflated the costs to the government
- The Single Audit Act of 1984 established uniform audit requirements and organization-wide audit procedures for State and local governments
- Under the Single Audit Act Amendments of 1996, audit requirements were extended to universities and non-profits
- For-profit entities are not required to have an audit under the Single Audit Act, but Federal agencies incorporate the requirement through special award terms and conditions





Why are audits required and what audits are required?

- Audits are a tool to demonstrate effective stewardship of Federal funds and to prevent waste, fraud, and abuse
 - Audits focus on compliance, internal controls, and financial management
- OMB Circular A-133, also known as the Single Audit, and Compliance Supplement (Compliance Supplement)
 - Used in the audit of non-profits, State, tribal, and local governments, and universities
 - Audits a combination of the recipient's Federal programs based on established audit methodologies (not just BTOP)
 - Compliance Supplement provides guidance on auditing program compliance requirements
- Program-Specific Audit (Program-Specific)
 - Used in the audit of commercial and for-profit entities and audits only the specific program (i.e., only BTOP)
 - Agencies typically develop Program-Specific Audit Guidelines for each program





What are the BTOP audit requirements?

- Audit requirements for audit type, rules applied, timeline, and point of submission vary depending on the recipient type

Recipient Type	Audit Type	Governing Rules & Regulations	Threshold, Frequency & Timeline	Submission Point
Non-profit, State, tribal, and local government, university	Single Audit	OMB Circular A-133, Compliance Supplement, 15 CFR 14.26(a-b), 15 CFR 14.27	<ul style="list-style-type: none"> ▪ Required for every fiscal year that a recipient expends \$500,000 or more in Federal funds ▪ A copy of the Audit Report should be submitted within 30 days of receiving it from the auditor, and no later than nine months after the end of the recipient's fiscal year 	Federal Audit Clearinghouse (http://harvester.census.gov/sa/c/)
For-profit	Program-Specific	Program-Specific Audit Guidelines - TBD, OMB Circular A-133, Compliance Supplement, 15 CFR 14.26 (d), 15 CFR 14.27, and BTOP award terms and special conditions	<ul style="list-style-type: none"> ▪ Required at least once every 2 years beginning after the first program year (i.e., 1 year from the award start date) for recipient that receive a BTOP award greater than \$100,000 ▪ A copy of the Audit Report should be submitted within 90 days after the end of the program year 	DOC Office of the Inspector General (OIG) and PAM





How does a BTOP recipient comply with the audit requirement?

- Contract with an independent, third party auditor that demonstrates high degree of expertise
 - To audit a non-profit, State, tribal, and local government, or university recipient, auditor should use OMB Circular A-133, Compliance Supplement, Commerce and BTOP Rules
 - To audit a for-profit recipient, auditor should use the BTOP Project-Specific Audit Guidelines, OMB Circular A-133, Commerce and BTOP Rules
 - All Audits use Uniform Administrative Regulations and Cost Principles, and BTOP program rules and generally accepted government accounting standards (GAGAS)
- Prepare audit file, including program documentation and financials
- Allocate audit costs correctly
 - Audit costs are typically allowable direct costs, but some entities with multiple grant awards may recover costs as part of their NICRA.

A-133 costs for a non-profit, State, tribal, and local government, or university may be a direct expense if the entity, like a non-profit consortium, formed solely to manage a project funded by BTOP funds.





What does the auditor review or look for during the audit?

- The auditor's primary focus includes compliance, internal controls, and financial management

Auditor Test	Auditor Review
1) Whether recipient's financial schedule is free of material misstatement (i.e., it fully accounts for revenues, expenditures, assets and liabilities) and is presented in accordance with GAAP	<ul style="list-style-type: none">▪ Examination of evidence supporting the amounts and disclosures in the financial schedule▪ Assessment of accounting principles used and significant estimates made by management▪ Overall presentation of financial schedule
2) Whether internal controls over major programs are in place to ensure Federal awards are being managed in compliance with applicable laws and regulations	<ul style="list-style-type: none">▪ Transactions are properly recorded and accounted for by recipient▪ Funds, property, and other assts are safeguarded against loss from unauthorized disposition
3) Whether recipient has complied 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	<ul style="list-style-type: none">▪ Review expenditures compared to list of allowable costs▪ Examine recipient's cash management, repayment of excess interest earnings, and Federal draw down activities▪ Accurate records maintained on all acquisitions and dispositions of property acquired under Federal awards
4) Whether prior audit findings have been addressed or resolved	<ul style="list-style-type: none">▪ Examine recipient's summary schedule of prior audit findings to determine whether recipient has materially represented the status of findings





What is included in a Single Audit Report and how is it submitted?

<u>Recipient Inputs</u>	<u>Auditor Input</u>	<u>Joint Recipient and Auditor Inputs</u>
<ul style="list-style-type: none">Financial Statements and Schedule of Expenditures of Federal Award<ul style="list-style-type: none">Prepared for the same time periodSummary Schedule of Prior Audit Findings<ul style="list-style-type: none">Detailed status of corrective action for each prior-year finding until the finding is corrected or finding is no longer validCorrective Action Plan<ul style="list-style-type: none">Addresses current-year audit findings made by auditor	<ul style="list-style-type: none">Opinion on Financial Statements and Schedule of ExpendituresReport on Internal Controls Related to Financial ReportingReport on Compliance<ul style="list-style-type: none">Includes an opinion on whether programs are being administered in compliance with laws and regulationsSchedule of Findings and Questioned Costs	<ul style="list-style-type: none">Data Collection Form (SF-SAC)<ul style="list-style-type: none">Includes recipient and auditor information, the Federal programs audited, a high-level overview of findings and, a statement certifying the accuracy and completeness of the information reported on the formOpinion on Financial Statements and Schedule of ExpendituresThis form must be signed by the auditor and the recipient

- A final Single Audit Report includes the inputs listed above. Program-Specific Audit Report requirements will be detailed in a Program-Specific Audit Guidelines, to be issued by NTIA
- Recipient is responsible for submitting the final Audit Report
 - Single Audit Reports are submitted to the Federal Audit Clearinghouse
 - Program-Specific Audit Reports are submitted to the DOC OIG and the awarding agency





Example of an A-133 Audit Report

Reporting Requirements and Communication Considerations

323

Example 13-2

Report on Compliance With Requirements That Could Have a Direct and Material[†] Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (Unqualified Opinion on Compliance; Significant Deficiencies in Internal Control Over Compliance Identified)¹¹

Independent Auditor's Report

[Addressee]

Compliance¹²

We have audited Example Entity's compliance with the types of compliance requirements¹³ described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs for the year ended June 30, 20X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.¹⁴

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*,¹⁵ issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

In our opinion, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 20X1. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 20X1-3 and 20X1-6].¹⁶

[†] See footnote † in example 13-1.

¹¹ See footnote 1.
¹² See footnote 2.
¹³ See footnote 3.
¹⁴ See footnote 4.
¹⁵ See footnote 5.
¹⁶ See footnote 6.

AAG-SLA 13.56

324

Government Auditing Standards and Circular A-133 Audits

Internal Control Over Compliance

Management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 20X1-7, 20X1-8, and 20X1-9]. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.¹⁷

Example Entity's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Example Entity's responses and, accordingly, we express no opinion on the responses.¹⁸

This report is intended solely for the information and use of management, [identify the body of individuals charged with governance], others within the entity, [identify the legislative or regulatory body], federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.¹⁹

[Signature]

[Date]

¹⁷ See footnote 7.
¹⁸ See footnote 9.
¹⁹ See footnote 10.

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Example of a Program-Specific Audit Report

346

Government Auditing Standards and Circular A-133 Audits

Example 14-2

Report on Compliance With Requirements That Could Have a Direct and Material¹ Effect on the Federal Program and on Internal Control Over Compliance in Accordance With the Program-Specific Audit Option Under OMB Circular A-133⁶ (Unqualified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)⁷

[Addressee]

Compliance⁸

We have audited Example Entity's compliance with the types of compliance requirements⁹ described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its [identify the federal program] for the year ended June 30, 20X1. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is

¹ Statement on Auditing Standards (SAS) No. 117, *Compliance Audits (AICPA, Professional Standards, vol. 1, AU sec. 801)*, defines applicable compliance requirements as the compliance requirements that are subject to the compliance audit. According to Section 505 of Circular A-133, the auditor's report on compliance with laws, regulations, and the provisions of contracts or grant agreements should include an opinion (or disclaimer of opinion) as to whether the addressee complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program. Therefore, in a Circular A-133 compliance audit, the applicable compliance requirements, as the term is used in SAS No. 117, are those that could have a direct and material effect on a major program. Accordingly, for the purpose of adapting SAS No. 117 to a Circular A-133 compliance audit, the term *applicable* has been replaced by *direct and material* when referencing such compliance requirements in this report. See also footnote 9 of this appendix for a discussion related to the determination of material noncompliance.

⁶ This is an example of a report on a program-specific audit under Circular A-133 when no federal audit guide applicable to the program being audited is available. When a federal audit guide applicable to the program is available, Circular A-133 requires that the auditor follow the reporting requirement of that federal audit guide. Paragraph 14.04 discusses the auditor's responsibility when a program-specific audit guide is not current.

⁷ If issuing a qualified or adverse opinion on compliance, the auditor may modify the compliance opinion section of this report. Additionally, if reporting significant deficiencies or material weaknesses, the auditor also may modify the internal control section of this report. The portions of examples 13-2-13-5 in appendix A in chapter 13, "Auditor Reporting Requirements and Other Communication Considerations in a Single Audit," of this guide that apply to a specific addressee situation in a single audit may be useful in modifying this report. See also paragraph 14.12 concerning the need to modify this report if the schedule of finding and questions costs includes abuse findings.

⁸ This report sequences the reporting on compliance before the reporting on internal control over compliance. However, the *Government Auditing Standards* reports in appendix A in chapter 4, "Auditor Reporting Requirements and Other Communication Considerations of *Government Auditing Standards*," of this guide sequence the reporting on internal control over financial reporting before the reporting on compliance and other matters. Auditors may present the internal control over compliance and compliance sections of Circular A-133 and *Government Auditing Standards* reports in whichever sequence better meets their needs.

⁹ Under Section 510(a) of Circular A-133, the auditor's determination of whether a noncompliance with the provisions of laws, regulations, contracts, or grant agreements is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program or an audit objective identified in the *OMB Circular A-133 Compliance Supplement (Compliance Supplement)*. Further, the auditor's determination of whether a deficiency in internal control over compliance is a material weakness or significant deficiency for the purpose of reporting an audit finding is also in relation to a type of compliance requirement for a major program or an audit objective identified in the *Compliance Supplement*. This reference to *type of compliance requirements* used here and elsewhere in this report illustration refers to the 14 types of compliance requirements (identified as "A" through "N") described in Part 3 of the *Compliance Supplement*. For purposes of reporting audit findings, auditors are alerted that certain of the types of compliance requirements may include multiple compliance requirements with multiple audit objectives (for example, compliance requirement "G" covers three separate requirements—matching, level of effort, and earmarking; and "N" covers separate requirements specific to each individual special test and provision).

AAG-SLA 14.18

Program-Specific Audits

347

the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*,¹⁰ issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on [identify the federal program] occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

In our opinion, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its [identify the federal program] for the year ended June 30, 20X1. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 20X1-1 and 20X1-2].¹¹

Internal Control Over Compliance

Management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with the requirements that could have a direct and material effect on its [identify the federal program] to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to

¹⁰ See footnote 2.

¹¹ When there are no such instances of noncompliance identified in the schedule of findings and questioned costs, the last sentence would be omitted.

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What are audit findings?

- Findings are circumstances in which the recipient demonstrates programmatic, regulatory, financial, or control deficiencies
- Findings are reported by the auditor in the final Single Audit or Program-Specific Audit Report and SF-SAC
- Recipient may disagree with findings and submit its reasoning with the Audit Report
- Examples of findings include:
 - The recipient organization demonstrates inherent deficiencies in its financial system that impairs the ability to validate paid expenses to vendors under any of the audited Federal grant programs (or BTOP specifically)
 - The recipient has expensed benefits for project staff who are not full time, which is unallowable under the financial requirements of BTOP

During pre-award, the Advanced Grants Processing Team checked for applicant's prior audit findings in order to understand potential financial or internal control risks of the applicant





What are corrective action plans?

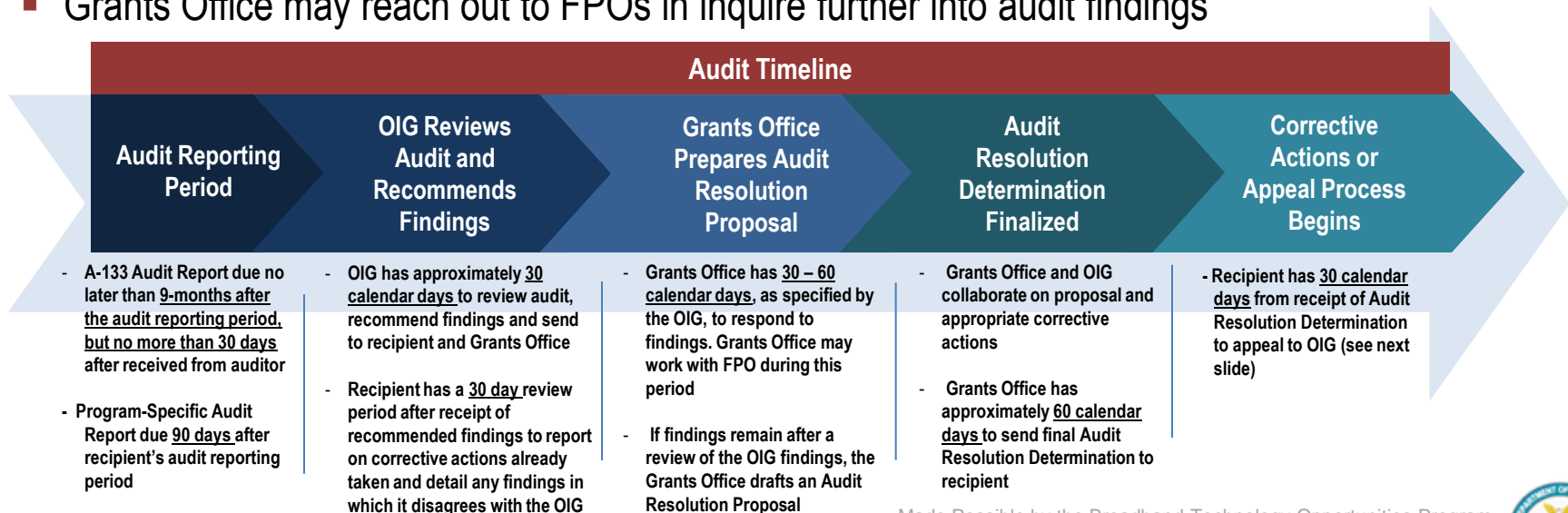
- Corrective actions plans are developed to provide remedy and resolution to the applicable regulatory, financial, or control deficiencies identified in the findings
- The Grants Office reviews audit findings and any materials a recipient submits to protest a finding and discusses those issues with the Program Office. If necessary, the Grants Office may then prepare a corrective action plan for a finding in the form of an Audit Resolution Report
- Examples of corrective actions include:
 - The recipient has been asked to adopt a financial system that will properly record A/R and A/P and to document and adopt processes to reconcile those accounts against one another and against allowable costs expended to the applicable Federal programs
 - The recipient will work with the applicable Federal programs to make a repayment of funds in accordance with the conditions of the award and may be asked to validate proper salary and benefit costs charged against other grant programs, such as BTOP in the event a single audit did not include BTOP in the audit





What is the timeline for audit report submission and review?

- **OIG and the Grants Office (NIST/NOAA) will review any reports identified as “qualified audit”**
 - A “qualified audit” means the entity audited received audit findings
- Recipient’s response to the Audit Resolution Proposal should note actions already taken to correct any findings and detail any findings in which recipient disagrees with the OIG
- Grants Office may reach out to FPOs in inquire further into audit findings



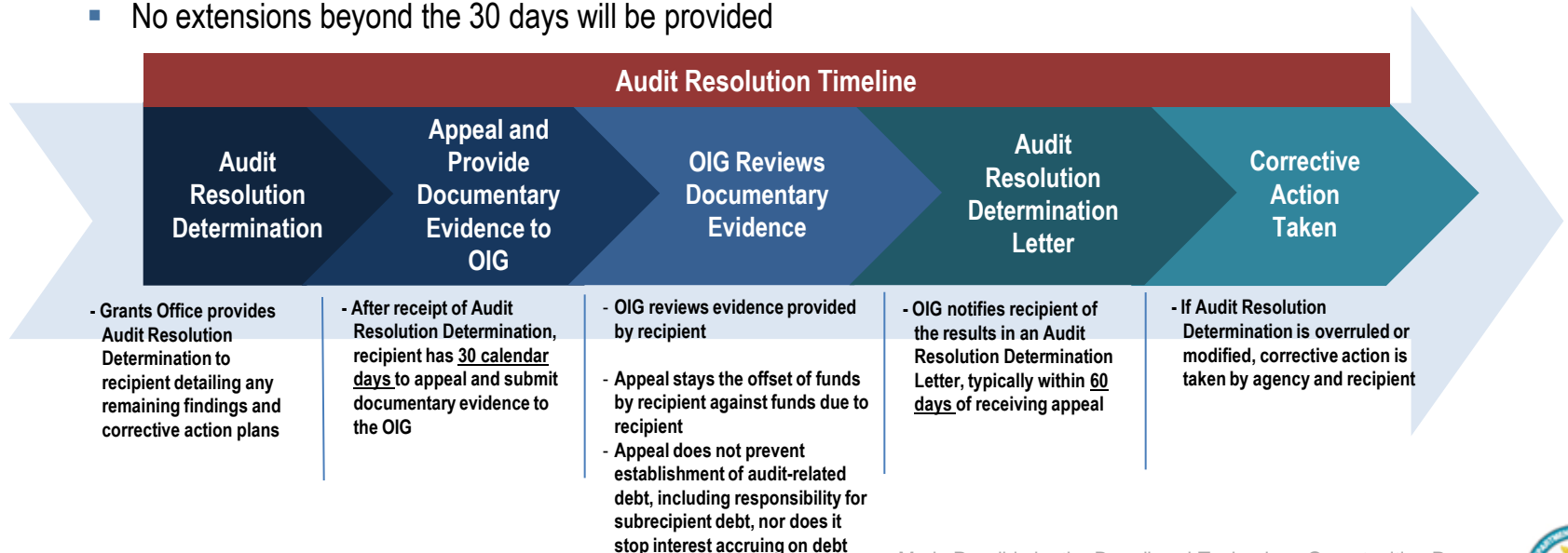
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What is the timeline for audit resolution in event of an appeal?

- Recipient must appeal an Audit Resolution Determination to OIG within 30 calendar days. This is the only opportunity to appeal
 - Appeal does not stay audit-related debt, including recipient responsibility for subrecipient debt
 - Evidence provided to refute audit findings must be different from previous information provided
 - No extensions beyond the 30 days will be provided



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OIG & GAO Audits

- **OIG and GAO may audit recipients at any time**
- **OIG may review program or multiple programs for issues related directly to a recipient's award (e.g., match, subrecipient monitoring)**
- **OIG and GAO may also audit awards to make determinations about NTIA's monitoring and oversight of BTOP awards.**
 - For example, an audit may review whether NTIA followed Commerce and OMB's Do Not Pay procedures (*i.e.*, verify eligibility by reviewing: the Social Security Administration's Death Master File, the General Services Administration's Excluded Parties List System, the Department of the Treasury's Debt Check Database, the Department of Housing and Urban Development's Credit Alert System or Credit Alert Interactive Voice Response System, and the Department of Health and Human Services' Office of Inspector General's List of Excluded Individuals/Entities) when recommending approval to the Grants Office of new key award personnel.





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**For any questions contact Aimee
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