Practical Audit Guidelines

Broadband Technology Opportunities Program (BTOP)

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Agenda

- Background on the guidelines

- Tips for compliance

- Roles and responsibilities

- Audit finding best practices

- Questions

Q&A

- Aimee Meacham, Director, BTOP Program Services
- Tracy Jackson, Audit Liaison, NOAA Grants Management Division

Objective:
Understand the audit requirements and process for BTOP grants and the associated audit findings

NTIA, NOAA, and NIST view audits as a tool to protect taxpayer investments

- Audit findings help demonstrate that recipients are spending Federal funds properly and protecting against waste, fraud, and abuse

- Audits focus on:
  - Compliance with laws, regulations, and provisions of the grant agreement
  - Internal controls over the program
  - Financial management of Federal funds

- Audits assist NTIA, NOAA, and NIST in understanding a recipient's level of fiscal oversight of the award

- The Department of Commerce (DOC) Office of Inspector General (OIG) and the Government Accountability Office (GAO) can also conduct audits at any time

BTOP recipients are subject to a specific audit type

Single Audits under OMB Circular A-133	Program-Specific Audits

- **Applies to:** State, local, tribal, or non-profit entities

- **Conducted:** If expenditures are $500,000 or more in one fiscal year

- **Frequency:** *Fiscal year audit*, conducted annually

- **Due:** 30 days after the auditor completes the audit, or within nine (9) months of the end of the recipient's fiscal year, to the Federal Audit Clearinghouse

- **Applies to:** For-profit entities

- **Conducted:** If a recipient receives $100,000 or more in Federal funding

- **Frequency:** *Program year audit*, conducted bi-annually after the first and third year of the program

- **Due:** 90 days after the end of the audit period (end of applicable program year), to the DOC OIG and provide copy to the Post-Award Monitoring (PAM) system for Grants Office review

BTOP subrecipients are also subject to audit requirements if the following apply:

Single Audits under OMB Circular A-133	Program-Specific Audits
Applies to: State, local, tribal, or non-profit entities	**Applies to:** For-profit entities
Conducted: If expenditures are $500,000 or more in one fiscal year	**Conducted:** If a recipient receives $100,000 or more in Federal funding from a for-profit BTOP recipient or $500,000 from a State, local, tribal or non-profit BTOP recipient
Frequency: *Fiscal year audit,* conducted annually	**Frequency:** *Program year audit,* conducted bi-annually after the first and third year of the program
Due: 30 days after the auditor completes the audit, or within nine (9) months of the end of the recipient's fiscal year, to the Federal Audit Clearinghouse	**Due:** 90 days after the end of the audit period (end of applicable program year), to the BTOP recipient

The type of audit will determine the required documents submitted at award closeout

Single Audits under OMB Circular A-133

- **Documents:** A-133 Single Audit Report

- **Due:** Within the normal timeframe, nine (9) months after the end of the recipient's fiscal year

- **Submitted to:** Federal Audit Clearinghouse

Program-Specific Audits

- **Documents:** Third Year Program Audit

- **Due:** Within 180 days of the award end date and to include any costs incurred or activities conducted during the closeout period

- **Submitted to:** DOC OIG and provide copy to the Post-Award Monitoring (PAM) system for Grants Office review

All BTOP recipients have audit responsibilities throughout the grant period of performance

	Recipient Responsibilities
Beginning of the Project	▪ Review regulations, terms and conditions, and relevant OMB Circulars ▪ Establish systems for documenting all grant activities and financial management ▪ Establish an Audit Committee ▪ Establish policies and procedures for procurement, data collection, making payments, and employee conduct
During Project Implementation	▪ Maintain internal controls to comply with all laws, regulations, and provisions of the grant agreement ▪ Ensure that subrecipients and vendors abide by any flow-down requirements, achieve performance goals, provide timely financial reports, and designate staff to manage documentation and reporting process
At the Time of Audit	▪ Ensure that an audit is performed by a qualified, independent auditor ▪ Make the audit accessible to any parties who might need to see it ▪ Prepare the audit file, including program documentation and financials

Meeting key requirements ensures compliance with Department and BTOP standards

<u>YES</u> or <u>NO</u>   <u>KEY QUESTIONS</u>

☑ ☐   Is an independent, third-party auditor under contract to perform the audit?

☑ ☐   Has the audit file, including program documentation and financials, been prepared?

☑ ☐   Are all audit costs correctly allocated?

☑ ☐   Did the auditor use the OMB Uniform Administrative Requirements and Applicable Cost Principles, BTOP Audit rules, and the Generally Accepted Government Accounting Standards (GAGAS)?

Department and Program Offices will review audit reports and assess audit findings

During the audit review, NTIA and the Grants Offices will:

- Flag audits with significant BTOP-related findings, questioned costs, or material weaknesses
  - Significant findings are findings that might signal potential waste, fraud, and abuse
  - Questioned costs are > $10,000 and usually result from a violation of the laws or lack of proper documentation
  - Material weakness is a significant deficiency or deficiencies that would likely lead to material noncompliance
- Determine if a recipient's processes and procedures are supported by adequate documentation
- Follow up (if necessary) on the auditor's recommended corrective action plan to address findings
- Prepare (if necessary) an audit resolution report for the recipient

BTOP audit findings generally fall into six broad categories

1. Reporting

2. Allowable costs

3. Expenditures

4. Cash management

5. Procurement, suspension, and debarment

6. Segregation of duties

Common BTOP Audit Findings*

- Reporting 20%
- Allowable Costs 16%
- Expenditures Allowed / Unallowed 10%
- Cash Management 12%
- Procurement, Suspension, and Debarment 11%
- Segregation of Duties 9%
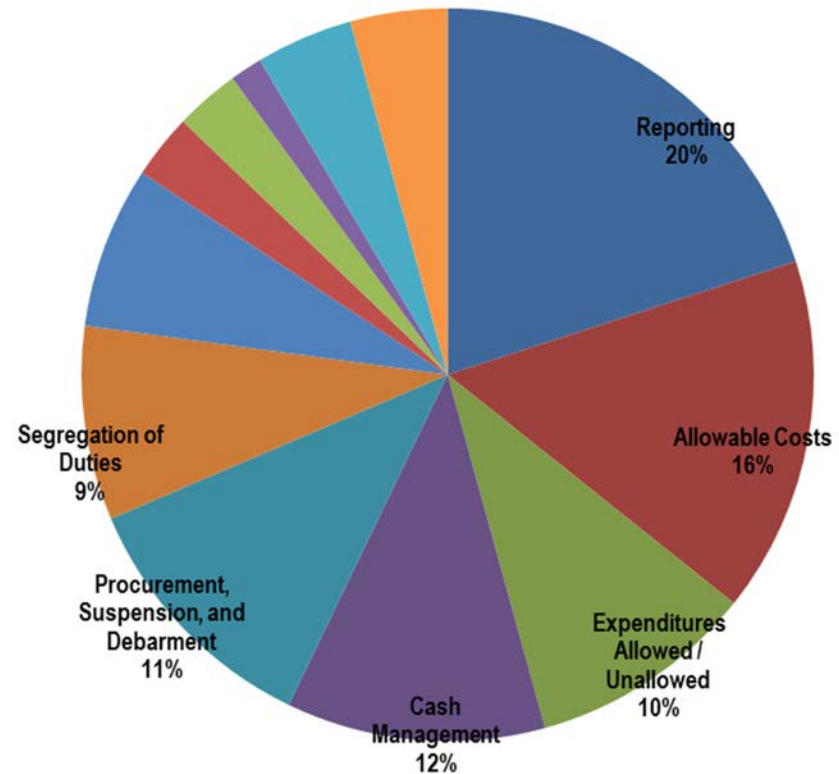
*Based on 261 BTOP audits submitted to NTIA to date

Implementing best practices will help recipients mitigate the likelihood of audit findings

Category	Audit Findings Examples	Compliance Tips
Reporting	■ Reports not filed in a timely manner; incomplete or missing reports ■ Reports not adequately supported with backup documentation	■ Implement policies and procedures to ensure Federal grant reporting requirements are met and submitted in a timely manner ■ Ensure that information provided in reports are supported by your books and records (e.g., GL)
Allowable Costs	■ Costs not eligible under the rules of the program ■ Failure to obtain pre-approval for expenses for which cost principles require approval	■ Include a cost eligibility checklist as part of internal policies
Expenditures Allowed/ Unallowed	■ Receipts of actual items purchased not detailed enough to determine allowability ■ Funds spent on activities outside the scope of the award	■ Develop an internal invoice approval process to ensure that all policies have been followed
Cash Management	■ Funds not traceable from drawdown to expenditures on specific costs related to the award	■ Implement a review process for the preparation of journal entries and cash drawdowns
Procurement, Suspension, and Debarment	■ Documentation that recipient checked for suspension and debarment of contractors prior to signing contract is lacking or incomplete ■ Contracts excluded required terms and conditions (e.g., ARRA language)	■ Develop a handbook that details procurement related policies and procedures and put in place a system to track and document all procurements
Segregation of Duties	■ Reports not reviewed by someone other than the preparer ■ Payments initiated and approved by the same individual	■ Implement controls via user-based roles in processes and systems

Recordkeeping and monitoring are key audit requirements and best practices

Recipients should be able to show the following for 3 years after the grant period:

✓ Records that identify the source and application of all grant funds

✓ Records of subrecipient and vendor financial and program activities

✓ Documentation on the source, receipt, and use of all matching funds

✓ Documentation of all in-kind valuations and any procurement processes

Questions

Submit Questions to BTOP@ntia.doc.gov