

U.S. DOC Inspector General Recovery Act Oversight Task Force



BTOP OVERSIGHT



CLEVELAND, OH

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OIG – Background and Mission

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Who We Are

- We were established by and derive our authority from the Inspector General Act of 1978, as amended
- Our mission is to improve the programs and operations of the Department of Commerce through independent and objective oversight.
- We prevent and detect fraud, waste, and mismanagement
- We conduct and supervise audits and investigations relating to Department programs and operations
- We have access to **ALL** records, reports, documents, or other materials relating to Department programs and operations

Types of Audits

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- **OIG Audit**
 - Compliance
 - Performance
- **Single Audits**
 - Governmental/Universities
 - Tribal
 - Nonprofits
- **Program-specific Audits**
 - For-profit entities

OIG and BTOP

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- **OIG and BTOP are taking a cooperative approach:**
 - Training and Workshops
 - Program Specific Audit Guide
 - Congressional Testimony
 - Pre-Award Review
 - Post-Award Review
 - Site Visits

Recovery Act and Transparency

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- Administration's Commitment to Transparency
 - UsaSpending.gov
 - Recovery.gov

- The OIG has a prominent role under the Recovery Act, which includes education, training, outreach, audit, evaluation, and investigative activities. Section 1515 of the Act allows the OIG:
 - 1) To examine any records of the contractor or grantee, and any of its subcontractors or subgrantees pertaining to a Commerce grant or contract.
 - 2) To interview any officer or employee of the contractor, grantee, subgrantee, or agency regarding such transactions.

Audit Requirements

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- OMB Circular A-133 – sets forth Federal audit standards for states, local governments, and non-profits that expend Federal awards
- Program Specific - requires for-profits that receive a BTOP award exceeding \$100K to have a program-specific audit
 - <http://www2.ntia.doc.gov/compliance>

Project Management

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- Project Management includes actions taken by the grant recipient during the life of the grant to ensure program performance and compliance
- As a recipient of Recovery funds, you must manage your own project because:
 - You are responsible for completing the project according to the approved plans and specifications.
 - It helps protect federal, state, and local investment.
 - Effective project management reduces the opportunity for fraud, waste, and abuse.

Management

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- Managing your project includes monitoring subrecipients and contractors
 - Monitoring begins when the subaward or contract is awarded
 - Monitoring involves coordinating and overseeing all aspects of the project:
 - ✦ Overseeing the procurement process
 - Due diligence – be knowledgeable about your subrecipients and vendors:
 - ✦ Past performance
 - ✦ Experience and expertise

Grant – Requirements for Monitoring Subrecipients

- **Federal Requirements**
 - OMB Circular A-133 applies to non-profits, governmental and tribal entities
 - ✦ Section 400(d) requires recipients to:
 - Advise subrecipients of requirements
 - Monitor subrecipients to ensure activities are for authorized purposes
 - Ensure that audit requirements are met
 - Issue a management decision on audit findings
 - Provide access to records
 - Department of Commerce Standard Terms and Conditions applies to all entities including for-profits
 - ✦ Applies to all recipients of BTOP awards
 - ✦ For-Profit recipients and subrecipients are not required to follow OMB Circular A-133 but, subrecipient monitoring is still required by Commerce's Standard Terms and Conditions.
 - The recipient shall require all subrecipients, including lower tier subrecipients, under the award to comply with the provisions of the award, and audit requirements.
 - Free and open competition for subawards
 - Written codes of conduct for those involved in subawards

Recipient Responsibilities

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- Recipients identify the areas to monitor, documentation to maintain, and staff to oversee monitoring efforts
- As part of the monitoring effort, recipients should:
 - Communicate compliance requirements in the contract or award agreement
 - Provide technical advice
 - Monitor subrecipient activities
 - Ensure that single audits are performed
 - Require subrecipients provide auditors with access to records

Monitoring

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- One of the most important factors in effective oversight of parties to an award is properly identifying entities
 - subrecipients
 - vendor
 - in-kind contributors to the project

Monitoring – Establishing the Relationship

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- Subaward agreements should clearly define the relationship between the recipient and subrecipient and their responsibilities:
 - Scope of work and budget
 - Program authorizing legislation
 - Administrative requirements
 - Recipient imposed conditions

Subrecipient Responsibilities

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- The effectiveness of subrecipient monitoring will depend on how well controls over monitoring are designed and implemented
- Subrecipient responsibilities are exactly the same as recipient responsibilities and include:
 - Financial management standards
 - Cost principles
 - Procurement
 - Property and equipment
 - Reporting and record keeping
 - Monitoring
 - Audits
 - Access to records

Monitoring – Subrecipients vs. Vendors

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- **Subrecipients**

- Use funds to meet program objectives
- Responsibility for programmatic decision-making
- Must follow federal compliance requirements

- **Vendors**

- Provide goods and services
- Provide similar goods or services to others
- Not subject to comply with grant terms and conditions

Historical Subrecipient Issues

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- Poor or nonexistent oversight of sub-recipients
- Failure to obtain necessary approvals
- Valuation of expenditures and contributions is a common audit problem with recipient and sub-recipient expenditures and third party contributors to the project. Valuation problems include:
 - ✦ Recipients cannot make in-kind contributions to themselves
 - ✦ Donated services limited to salary plus benefits (15 C.F.R § 14.23(e))
 - ✦ Discounts are not in-kind contributions

Historical Matching Share Issues

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- In-kind contributions are received from 3rd parties, not from recipient
 - Allowable value for donated services is *not* fair market value (15 C.F.R. § 14.23(d)) or (15 C.F.R. § 24.24 (c))
- Recipient Contributions
 - Allowable value for equipment contributed by recipient can not exceed book value, unless granted exception from Grants Officer
 - In most instances, recipient must record income for contributions received
 - Cash contributions are not matching-share until expended on allowable project costs

Types of Monitoring- Financial

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- **Financial monitoring:**
 - Involves reviewing billings and invoices
 - Things to look for:
 - ✦ **Labor rates** – are you paying for a senior engineer, but receiving services from someone less qualified?
 - ✦ **Materials** – are you paying too much or paying for materials that do not meet contract specifications?
 - ✦ **Equipment** – are you being billed for unused or unnecessary equipment?
 - ✦ **Documentation** – are costs clearly documented and reasonable? Are documents missing or altered?

Types of Monitoring - Technical

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- **Technical monitoring:**
 - Involves inspecting and reviewing project progression
 - Things to look for:
 - ✦ **Oversight** – is the work performed by subrecipient in accordance with the terms and conditions of the subaward agreement grant?
 - ✦ **Invoicing** – are invoices in line with project completion and milestones? Are subrecipients in compliance with the Davis Bacon Act?
 - ✦ **Coordination** – are technical staff working with financial staff to ensure subrecipients and vendors are paid appropriately?

Audits

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Award Period

Less than 24 months

2 – or 3 – year awards

Beyond 3 years

Audit Requirement

- Within 90 days of the project expiration and close out period.
- Within 90 days after the end of the award year 1, and within 90 days of the project expiration and close out period.
- Within 90 days after the end of award year 1,
- Within 90 days after the end of award year 3, and
- Within 90 days of the project expiration and close out period.



Contact Information

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