Audit Readiness and Survival

Presented by
Bob Lloyd
National Association of Development Organizations
Annual Training Conference
October 15, 2012
The Current Federal Fund Accountability Atmosphere

• “Government by Horror Story”
--- Media Attention--GSA and VA Scandals
--- *Qui Tam* Lawsuits
--- Congressional Oversight
--- Audits
---- OMB Circular A-133
---- Inspector General Audits
Types of Audit Findings

• Noncompliance
• Questioned Costs
  --- Unallowable
  --- Unreasonable
  --- Unapproved
  --- Unsupported
• Internal Control Deficiencies
  --- Significant Deficiency
  --- Material Weakness
What’s the Antidote?

• A Comprehensive and Effective Compliance Program
  --- Governing Body Involvement
  --- Top Management Commitment
  --- Qualified Staff
  --- Code of Conduct
  --- Applicable Internal Policies and Procedures
  --- Training and Education
  --- Ongoing Risk Assessment
  --- Oversight—Monitoring and Auditing
  --- Follow-up, Enforcement, and Corrective Action
Well Designed Operational Internal Controls

- Financial Management
  --- OMB A-102 Common Rule, Section __.20
- Procurement
  --- OMB A-102 Common Rule, Section __.36
- Property Management
  --- OMB A-102 Common Rule, Sections __.30-34
- Records Access and Retention
  --- OMB A-102 Common Rule, Section __.42
- Personnel Management
  --- OMB A-87 (2 CFR 225), Section B8
- Travel
  --- OMB A-87 (2 CFR 225), Section B43
Current Federal Fund Compliance Vulnerabilities

• Cost Allowability
• Cost Transfers
• Time and Effort Reporting
• Travel and Meeting Expense
• Documentation of Purchase Transactions
• Management of Equipment and Supplies
Cost Allowability

• Following Applicable Cost Principles (www.omb.gov)
• Direct vs. Indirect
• General Tests of Allowability
• Allowability of Selected Items of Cost
• Allowability of the “Unmentioned”
Cost Transfers

• Moving funds from one award to another
• The “Anti-deficiency Act”
• Documentation of the reason

• Moving funds from one line item to another in the same award
• The “10 percent rule”
Time and Effort Reporting

- After-the-fact Information
- Full disclosure of all time worked
- Credible sign-offs by knowledgeable people
- Timely completion and modification
Travel and Meeting Expense

• Travel
  --- Lodging
  --- Meals and Incidental Expenses
  --- Airfare
  --- Ground Transportation

• Meetings and Conferences
  --- Business Purpose
  --- BUT NOTE: Entertainment, Employee Morale, Participant Support
Documentation of Purchase Transactions

• “Significant history of the procurement”—Process orientation
• Basis for contractor selection
• Justification for lack of competition when competitive bids or offers are not obtained
• Basis for award cost or price
Management of Equipment and Supplies

• Equipment
  --- Records
  --- Inventory
  --- Maintenance
  --- Controls
  --- Competitive Disposition

• Supplies
  --- Withdrawals from Central Stores/Stockrooms
  --- Handling of Residual Inventory
And Just Remember...

- The *OMB Compliance Supplement*: The “Cliff’s Notes” of Federal Grants Administration
- The “Washington Post Test”
- It’s OK to Disagree with the Auditors
- Problems: Are They Isolated vs. Systemic?
- “Lead the Parade” to Fix Any Real Ones
Robert M. Lloyd

• Consulting services for effective federal fund management
  --- Compliance advice
  --- Training
  --- Policy and procedure development and review
  --- Audit resolution
  --- Indirect cost rate development
  --- Subgrant agreement drafting and review
  --- Public policy advocacy
• E-mail: consultlloyd@aol.com
• Telephone: (864) 235-8680
  (202) 775-0066