

Audit Readiness and Survival

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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

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 - Compliance advice
 - Training
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