

# **Audit Reporting Requirements**

**For awards made under authority of P.L  
93-638 Indian Self-Determination and  
Education Assistance Act, as Amended**

# Reporting Requirements

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- In conformance with Sec. 5 of the Act, such records for a mature contract shall consist of:
- **Quarterly Financial Statements** for the purpose of accounting for Federal funds,
- **Annual Single Agency Audit** required by Chapter 75 of Title 31, United States Code, and
- a brief **Annual Program Report**.

# Quarterly Financial Status Report (SF 269A)

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- The contractor shall submit a Financial Status Report (SF-269A) at least quarterly
- 269As are due within 30 calendar days after the end of each quarter.
- A Final Financial Status Report shall be furnished within 90 days after each contract year
- Awarding officials perform annual reconciliation of financial records of contract/grant utilizing Financial Status Report information to document unexpended funds from prior years.

# Narrative (Progress) Report

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- The quarterly narrative progress report is not required under the Law, however it is sometimes used for tribes on **High Risk**.
- If negotiated into an initial agreement or an Annual Funding Agreement to submit Narrative report, it is due 30 calendar days after the end of each quarter.

# Annual Report

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- If negotiated into an initial agreement or an Annual Funding Agreement to submit annual report in lieu of Quarterly Narrative Report, the Annual Report is due 90 days after each contract year.

# Annual A-133 Audit Report

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- For each fiscal year a tribe receives or expends at least \$300,000 for a contract or grant under this Act, the tribe shall submit to the Office of Inspector General (OIG) through the Clearinghouse, a single agency audit report required by Chapter 75 of title 31, United States Code.
- Audit reports are due within nine (9) months after the contract year ends.

# Annual A-133 Audit Report

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- If audits are not submitted in a timely manner, BIA reserves the right to impose sanctions, including withholding funds.

# Annual A-133 Audit Report

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- Public Law 100-297 allows Tribally Controlled grant schools to submit an audit every two years and the audit must cover both fiscal years.

# Release of Claim (DI 137)

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- For the purpose of timely closeout of Public Law 93-638 contracts and grants, a Release of Claim should be submitted at least 90 days after each contract year

# Tribes' Audit Responsibilities

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- Identify Federal awards received and expended
- Maintain internal controls, including controls over Federal funds received. (prevent errors, waste & fraud)
- Comply with requirements affecting awards
- Prepare financial statements and schedule of Federal awards (including notes)
- Arrange for audits and submit results when due

# Tribes' Audit Responsibilities

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- Prepare summary schedule of status of prior year audit findings
- Prepare corrective action plans and resolve audit findings.
- Prepare Data Collection Form (Certificate of Audit) and submit as required

# Federal Awarding Agency Responsibilities

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- Provide CFDA title and number for each program
- Advise recipients of legal/contractual requirements
- Ensure audits are completed and reports are received
- Provide technical assistance
- Issue a management decision within 6 months

# Auditor's Responsibilities

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- Conduct audit in accordance with GAGAS
- Determine fairness of Financial Statements
- Perform procedures to determine adequacy of internal controls
- Determine major programs, make risk assessments of programs
- Designate auditee as low-risk, if applicable

# Auditor's Responsibilities

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- Test for compliance with applicable laws and regulations
- Follow-up on prior year audit findings
- Prepare audit report package, including financial statements, opinions, findings, questioned costs, and applicable portions of Data Collection Form

# Single Audit Act Amendments of 1996-OMB Circular A-133

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- \$300,000 or more in expenditures requires a Single Audit
- \$300,000 is only threshold. If all expenditures are for one program, can have a program specific audit.
- Cognizant/Oversight Agency is grantor that provides the most Federal funds
- Submitted to Federal Clearinghouse

# Single Audit Act Amendments of 1996-OMB Circular A-133

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- Report contains:
  - Financial Statement and Auditor's Opinion
  - Schedule of Federal Financial Assistance
  - Internal Control Reports
  - Compliance Reports
  - Corrective Action Plans
  - Status of Prior Year Findings (auditee must explain why problem hasn't been fixed)
  - Summary of auditor's results

# Single Audit Act Amendments of 1996-OMB Circular A-133

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- **Reporting Package:**
- Data Collection Form (Certificate of Audit)
- Single Audit Report
- Report due 9 months after end of fiscal year
- Auditor selects major programs based on dollar thresholds and program risk. More discretion on part of auditor.

# Single Audit Act Amendments of 1996-OMB Circular A-133

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- **Reporting Package:**
- An auditor who prepares the Indirect Cost Proposal or Cost Allocation Plan may not also be selected to perform the single audit if Indirect Costs recovered by the auditee during the prior year exceeded 1 million. Effective for audit periods ending on or after June 30, 1998.
- Auditee can obtain "low-risk" status

# Single Audit Act Amendments of 1996-OMB Circular A-133

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- Auditor must report all findings (reportable conditions), but specify which findings are material.
- Auditor does not report questioned costs unless known or likely questioned costs for a type of compliance for a program are greater than \$10,000. If so, the auditor reports only known questioned costs.

# Single Audit Act Amendments of 1996-OMB Circular A-133

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- Failure to conduct a timely audit or provide adequate corrective actions could result in sanctions.
- Withhold a percentage of Federal funds
- Withhold or disallow overhead costs
- Suspend Federal awards until audit is conducted
- Terminate Federal awards

# THE AUDIT RESOLUTION PROCESS

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## ■ **The OIG Process:**

- General processing occurs first - the audit is logged in, the date received is noted, and an audit specialist is assigned to the audit.
- The audit specialist performs a "desk review" of the audit. This will determine if the CPA complied with the Single Audit Act and OMB Circular A-133 reporting requirements.
- If the audit does not pass the desk review, it will be returned to the auditor and tribe for further work. An audit may pass the desk review even if it has minor problems. If an audit FAILS the desk review, there is something major wrong with it.

# THE AUDIT RESOLUTION PROCESS

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- **The OIG Process:**
- Most audits do in fact pass the desk review. The audit specialist will then count the number of internal control findings and compliance findings and add up the questioned costs.
- The audit will be assigned a number using the following convention: **FY-A-XXXX**
- **FY**=The fiscal year in which the audit is issued by the OIG. (Not the fiscal year the audit is received or the fiscal year of the audit.)
- **A**-Always an A. This is a remnant of an old OIG numbering system.
- **XXXX**-Number assigned sequentially as audits are issued.

# THE AUDIT RESOLUTION PROCESS

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- **The OIG Process:**
- The OIG will mail letters to the tribe, CPA, BIA awarding official, and the Office of Audit and Evaluation. Each of these memos contains slightly different information.
- The OIG also conducts Quality Control Reviews to assess the general adequacy of the CPA's auditing techniques

# THE BIA PROCESS

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- The BIA is required to respond to the OIG within certain time frames and explain what actions are planned or have been taken by the tribe to correct the audit findings.
- Usually, this requires the BIA awarding official to obtain additional information from the tribe.
- Within 90 days of the issuance of the audit, the awarding official is expected to provide a written response to the OIG. The issue date is the date of the OIG memo to the awarding official.

# THE BIA PROCESS

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- If any questioned costs are to be disallowed, a written Findings and Determination (F&D), including appeal rights, must be sent to the tribe via certified mail within 365 days of the receipt of the audit by the OIG, (the "365 Day Rule") The awarding official must also send a written request to the BIA Division of Accounting Management for a Bill of Collection (BFC) to be issued.
- The awarding official can still disallow costs after the 365 days, but the costs will not be collectible.

# THE BIA PROCESS

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- Latitude is provided to Areas and Agencies when resolving audit findings. Some factors an awarding official may consider are:
  - Materiality of findings;
  - audit findings from previous years;
  - tribal cooperation in resolving findings;
  - how the resolution may affect other funding agencies (cross-cutting findings); and
  - results of discussions with the tribe's auditor.

# AUDIT REPORT FINDINGS

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- There are two basic types of audit report findings:
- 1. **Internal Controls**-the prevention of errors, waste, and fraud
- 2. **Compliance**-with laws, regulations, and contract requirements

A crosscutting finding is any finding that applies to more than one funding agency. These are usually internal control findings.

# AUDIT REPORT FINDINGS

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- **FINDINGS** are classified as either:
- **Reportable condition**-internal control and/or compliance findings identified by the auditor, regardless of importance.
- **Material Weakness (audit finding)** -failure to follow accounting requirements; violations of prohibitions contained in laws; regulations, contracts, or grants, that cause the auditor to conclude that the aggregation of misstatements resulting from those failures is material to the financial statement.

# AUDIT REPORT FINDINGS

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- It is the responsibility of the cognizant or oversight agency to work with the auditee to resolve all internal control findings and general compliance findings.
- The auditee will have to work with each individual funding agency to resolve compliance findings that relate to specific grants and contracts.

# Auditee Responses to Corrective Action Plans

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- For current year findings the Corrective Action Plan must include:
  - The reference numbers the auditor assigns to the audit findings;
  - Names of the contact persons responsible for corrective action;
  - The corrective action planned; and
  - Anticipated completion date.
- If the auditee does not agree with the auditor's findings, a detailed explanation must be provided.

# Auditee Responses to Corrective Action Plans

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- **For Prior year findings:**
- Indicate the Fiscal Year in which the problem initially occurred.
- If the finding was fully corrected, list the finding and state that corrective action was completed.
- If the finding was not corrected or only partially corrected, list any actions taken to date, plus the activities planned to correct the problem.

# Auditee Responses to Corrective Action Plans

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- The auditee should provide an explanation if they believe a finding is no longer valid or does not warrant further action.
- The following three conditions must be met before an auditee can cease reporting on a finding:
  - Two years have passed since the audit report in which the finding occurred was submitted to the Federal Clearinghouse.
  - The Federal agency or pass-through entity is not currently following up with the auditee on the finding; and
  - A management decision was not issued by the awarding official.