Single Audit Act

- Bureau of Indian Affairs
- National Business Center

Office Of Internal Evaluation & Assessment
Audit Liaison Office (ALO)

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Single Audit Act and other Criterion

- Single Audit Act of 1984 amended by Single Audit Amendments of 1996 (P.L.104-156 Chap. 75)
- Indian Self Determination and Educational Assistance Act, (P.L. 93-638, as amended)
- OMB Circular A-133 *(Regulations for Single Audit Act) and* OMB Circular A-87 *(Cost Principles)*
- 43 CFR Part 12, *(Administrative and Audit Requirements and Cost Principles for DOI Programs)*
- 5 IAM 2 Indian Affairs Manual, Management Accountability, Single Audit

What is an Audit?

- In general terms, an audit is independent and systematic assessment of an organization's financial position, accounting systems (including internal controls) and compliance with laws and regulations.
- The auditor examines, on a test basis, transactions, supporting documents and disclosures to the financial statements.
- The audit is meant to **provide reasonable assurance** that the financial statements are free of **"material misstatements."**

SINGLE AUDIT BACKGROUND

- Approximately sixty percent of Bureau of Indian Affairs annual budget is expended through contracts, compacts, and grants with Indian tribes and tribal organizations.

- The single audit is the primary mechanism used by Federal agencies, including the Bureau of Indian Affairs, to ensure accountability for Federal awards.

SINGLE AUDIT ACT OF 1984

- The Single Audit Act of 1984 reduced the burden of numerous audits.
- Provided for at least one annual comprehensive audit.
- Ensured that audits of federal programs were performed under uniform audit requirements such as Generally Accepted Accounting Practices(GAAP), Government Auditing Standards, or Federally Accepted Accounting Practices.

Single Audit Act Amendments 1996

- The amendments authorized OMB to re-assess and adjust the threshold amount periodically, provided that the amount was not less than $300,000.

  OMB has subsequently increased the threshold amount. For fiscal years beginning after December 31, 2003, the threshold increased to **$500,000.**

- **It allows OMB to conduct pilot studies to test alternative procedures.**

Single Audit Act Amendments 1996

- **Improved timeliness and content:**
  - Report due date shortened from 13 months to 9 months after the close of a recipient's fiscal year, *and as of this year, extensions are no longer accepted*.
  - Requires a summary of audit results and a data collection form.
  - Requires a separate schedule of current year findings and questioned costs.
  - Requires a separate schedule on the status of prior year findings.

Single Audit Act Amendments 1996

- **Provided incentives:**
  - An organization can earn “low risk” status; The 25% rule (percentage of audit coverage) thus reduces the number of programs that must be audited and reduce the cost of the audit.

What is Included in a Single Audit Report

- ✓ Auditor's Opinion Over the General Financial Statements and Schedule of Expenditures of Federal Awards
- ✓ Financial Statements
- ✓ Internal Control Reports
- ✓ Compliance Reports

- ✓ Schedule of Expenditures of Federal Awards
- ✓ Summary Schedule of Prior Year Audit Findings
- ✓ Schedule of Current Year Audit Findings & Questioned Costs
- ✓ *Corrective* Action Plan

Where do I submit My Single Audit

Submission *under OMB Circular A-133 Section 320*

- Federal Audit Clearinghouse
- Office Of Internal Evaluation & Assessment

There are required Sanctions for Failing To Submit an Audit Report.

Submission of the Single Audit Report

Authority: P. L. 93-638 Section 450 c. (F) OMB Circular A-133 Section 320

- Send two (2) copies of the Single Audit Report to:

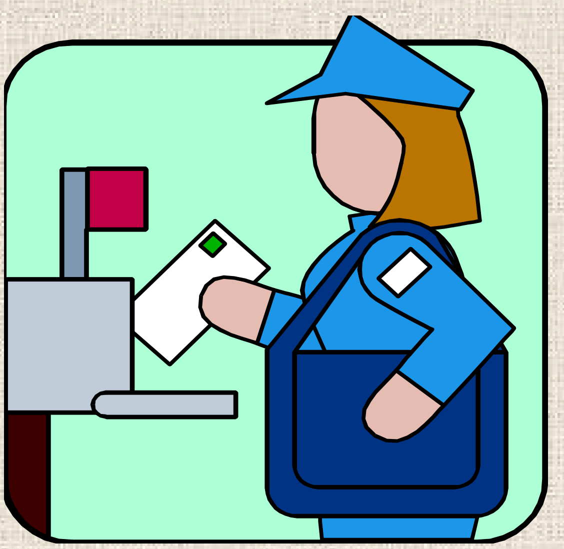
Office of the Secretary-Indian Affairs

Office of Audit and Evaluation

2051 Mercator Drive

Reston, VA. 20191

(Includes express mail)



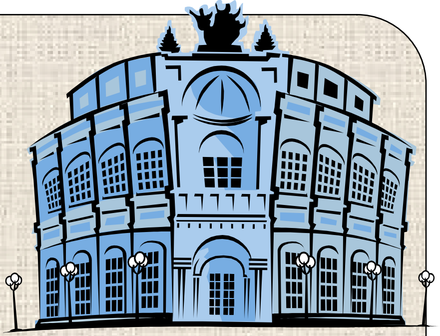
Single Audit Report Submission OMB Circular A-133 Section 320

Authority: OMB Circular A-133 Sec. 320(b)

Data Collection Form

- A form which states whether the audit was completed with the requirements and provides information about the auditee.
- Completed at the end of the audit. Sent to the Clearinghouse as part of the reporting package.
- Summarizes audit results and expenditures by program.

Federal Audit Clearinghouse (FAC)



- Serves as central collection point for all A-133 audit submissions.
- Distributes reporting packages to federal awarding agencies.
- Maintains a government-wide database of form SF-SAC data.
- Maintains an archive of all A-133 audit submissions.

Address of Federal Audit Clearinghouse and Contacts

Address

FAC Processing Center

1201 E. 10th Street

Jefferson, IN.   47132

Call 1-888-222-9907

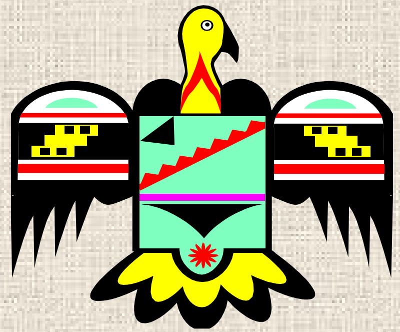
Website

http://harvester.census.gov/sac/

Live Person: Jill O'Brien, Project Mgr.

1-301-457-1540

Email: Jill.renee.obrien@census.gov



Clearinghouse Website

http://harvester.census.gov/sac/sainfo.html

There you will find:

- ✓ Revised Circular A-133
- ✓ Circular A-133 Compliance Supplement
- ✓ American Institute of Certified Public accountants (AICPA)
- ✓ Catalog of Federal Domestic Awards
- ✓ IGNET - Website for the Federal IG Community
- ✓ Technical Audit Advice/Federal Agency Contacts
- ✓ Form SF-SAC and A-133 Submission Questions/Federal Audit Clearinghouse Contacts

Responsibility of Single Audit Partners

Authority: 5 IAM 2.7 (B)

- Ensure timely resolution of single audit reports;
- Take appropriate action when audit findings indicate significant problems or material weaknesses that put Federal resources in jeopardy or when disallowed costs have not been repaid; and
- Take appropriate action when an audit has not been performed within the prescribed time.

Timely Management Decisions

Authority: 5 IAM 2.9

1) Review available information provided in the contractor's response to the single audit report, or in contract or grant files, or in reports of on-site Indian Affairs' reviews, or any other relevant data to determine if the audit report can be resolved with the information at hand. *In some cases, the awarding official may be able to make determinations about audit findings and questioned costs based on the recipient's response contained in the single audit report through a program's AOTR (Awarding Official's Technical Representative).*

Awarding Official Responsibilities

2) **Request additional information** if the single audit report lacks a response from the recipient or it was determined that additional supporting material is required.

The awarding official is to contact the recipient within fourteen (14) calendar days of receipt of the audit report. The letter should request a response from the recipient within thirty (30) calendar days.

Sanctions for Failing Timely Submission

Authority: 5 IAM 2 Section 2.8

- The Tribe has ***9 months*** after the close of their fiscal year to complete and submit an audit to the Office of Audit and Evaluation and the Clearinghouse.
  - If they miss this deadline, the BIA **Awarding Official** should issue a reminder/warning letter.
  - If they miss the date in the reminder/warning letter, BIA should impose ***sanctions.***

Sanctions for Failing Timely Submission

Authority: OMB Cir. A-133 **& 5 IAM 2 Section 2.8**

- **Level 1:** If the Tribe fails to submit its report to the CH or OAE the AO will place the Tribe on a monthly payment schedule for the following fiscal year.

- **Level 2:** If the Tribe still fails to file its previous years report and also its current year report by the end of following fiscal year, the AO will continue limiting drawdowns and also withhold all contract support payments. Tribe will remain on Level 2 sanctions until all outstanding audit reports are submitted.

- **Level 3:** If no audit reports are submitted by the end of second year, the awarding official will initiate reassumption procedures.

GASB 34

- Government Accounting Standards Board – Statement 34: Basic Financial Statements–Management Discussion and Analysis–for State and Local Governments.

- See website: www.gasb.org

GASB – 34 a Tribe or Tribal Organization Must:

- Report on the *overall* state of the entity's financial health, not just on individual funds.
- Provide detailed data on the cost of delivering services.
  - Include information about infrastructure—such as roads and bridges. (Depreciation expenses will be reported.)
  - Prepare an introductory narrative analyzing the government's financial performance.
  - Prepare financial statements using full accrual accounting for *all* the entity's activities.

BIA Policy for the Advanced Federal Funds

Authority: P.L. 93-638 Sec 450e-3, P.L.105-277, Sec 111, OMB Circular A-133 Compliance Supplement, 5 IAM 2.3 (D), 2.4 (C) and 2.15

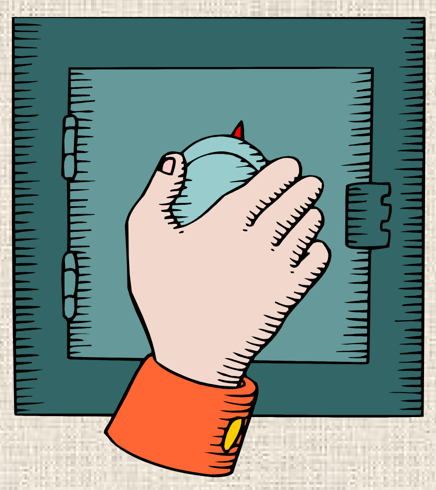
It is Bureau of Indian Affairs policy to ensure that:

- Federal funds are **properly safeguarded** and
- are used only for the **authorized purposes** as described in the award agreement.

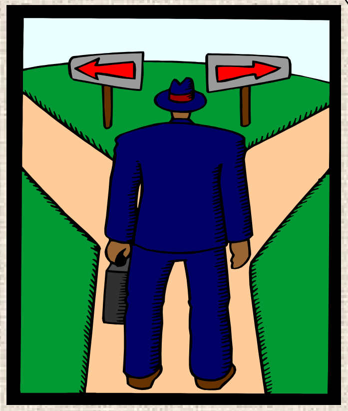
Federal Advance Payments *Investment Rules*:

<u>Authority</u>: PL 105-277, Section 111

- OMB Cir. A-133 Compliance Supplement Part 4
  - "Advance payments.....may be invested...... before such funds are expended ......as long as such funds are"—



Tribes Options Under the ISDEAA for Advanced BIA Funds



Authority: P.L. 93-638 Sec 450e-3

- Invest the funds in "obligations of the United States" or those guaranteed by the US.
- Invest in registered mutual funds that invest exclusively in the same types of securities.
- Deposit the funds in an insured account (e.g., the FDIC).
- Deposit the funds in a fully collateralized account.

Federal Advance Payments
Investment Rules

If invested funds are insured by the Securities Investor

Protection Corporation.

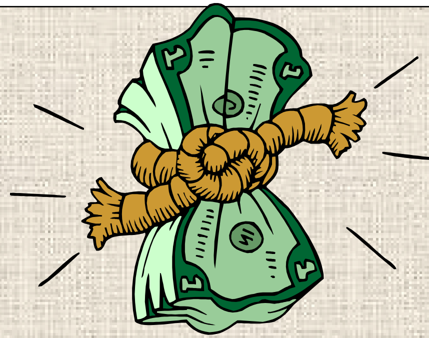
Is this compliance?

Why?

No!

The SIPC is not a government agency. It was established by the securities industry. Investors can recover losses only in limited cases.

Use of Advanced Funds



- Advanced funds ***<u>can be used</u>*** only for the federal programs covered by the contracts and annual funding agreements.
- Funds ***<u>cannot be used</u>*** for tribal programs not authorized by the ISDEAA.
- A use of cash provided by BIA for any purpose other than to pay costs for programs included in an Indian affairs funding agreement will be **<u>Misapplication of funds</u>**.

What Is "Deferred Revenue?"

- **Accounting Definition:** Receipts of cash for which asset recognition criteria have been met (cash received and deposited in the bank), but for which revenue criteria have not been met (expenditures not spent on the program contracted).

- **EXAMPLE:** Tribe received BIA cash in advance for a contract, but has not incurred the expenditures for which the money was intended.

Signs of Potential Misapplications:

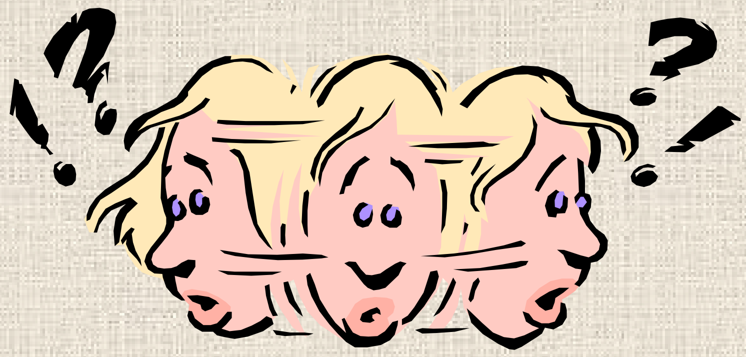
- Transfers out of the Special Revenue fund to either the tribe's General fund or a proprietary fund.

- Within the Special Revenue fund, any amounts shown as "due to" a Bureau-funded program from the program of another Federal or State agency.

- Amounts "due to" the Special Revenue fund either from the tribe's General fund or from an enterprise fund.

- Insufficient cash and investment balances within or allocable to the Special Revenue fund to cover Deferred Revenue.

Other Accounting Terminology



- **DUE FROM:** An asset account used to indicate amounts owed **from** another fund.

- **DUE TO:** A liability account used to indicate amounts owed **to** another fund.

In other words: *one fund is borrowing $$$ from another fund.*

Timely Management Decisions

Authority: **5 IAM 2.9**

Review available information provided in the recipient's response to the single audit report, or in contract or grant files, or in reports of on-site Indian Affairs' reviews, or any other relevant data to **determine if the audit report can be resolved with the information at hand**.

In some cases, **the awarding official may be able to make determinations about audit findings and questioned costs based on the recipient's response** contained in the single audit report.

What Constitutes A "High Risk" Grantee?

- **History of Unsatisfactory Performance.**
- **Not Financially Stable.**
- **Grantee's Management System does not meet** *management standards* in 25 CFR 900.35 and 43 CFR 12.60.
- Has not conformed to terms and conditions of previous awards.
- ***Special Conditions*** **may be imposed.**

Imposing Special Conditions

Authority: Based upon 43 CFR 12.52 & 5 IAM2

Examples: When Special Conditions have already been imposed

- **Payment on a reimbursement basis.**
- **Require additional financial reports.**
- **Additional project monitoring.**
- ***Requiring technical or management assistance*.**
- **Other**

What Are Compliance Findings?

1. Instances when the organization has <u>not followed</u> the laws, regulations, and contract terms, and conditions that guide programs and contracts. Such non-compliance has a **"direct and material (serious) effect"** on major programs.

   A. Auditors use the **Compliance Supplement** issued annually by OMB for guidance in the applicable compliance requirements, such as allowable activities and costs, required reports, and investment of cash advances.

Audit Findings: Internal Control:

- ***Internal control system.*** Does it provide *reasonable assurance* regarding:
  - Safeguarding of assets?
  - Production of reliable financial reports?
  - Compliance with applicable laws and regulations?

Auditor's ***report*** on Internal Controls as they relate to both **financial statements** and **major programs**.

Examples of Findings

- Travel expenses not properly documented: no trip reports, travel authorizations, or receipts in support of hotel, plane ticket and other trip expenses.
- Twelve of 22 police officers did not have documentation of 40 hours of in-service training.

Examples of Findings:

- Bank reconciliations are not being performed.
- Property records are not maintained.
- A physical inventory had not been performed on fixed assets.
- There are questioned Costs.
- Timesheets (Proper Payroll) not maintained to support the allocation of an employee's salary expense to multiple federal programs.

Awarding Official Responsibilities

Authority: 5 IAM 2.7 (C)

- Ensure that all awards include a requirement that the recipient provides two copies of the audited financial statements and single audit report to the Office of Audit and Evaluation.

- If a recipient does not meet the threshold requirement for obtaining a single audit, the Awarding Official will obtain a certification that a single audit is not required.

Awarding Official Responsibilities (Cont'd)

- For good cause and upon the request of a recipient, assist the recipient in obtaining a reasonable extension of time for the submission of the single audit report from the Office of Inspector General if the Department of the Interior is the cognizant/oversight agency for audit, or from the appropriate audit official of the cognizant/oversight audit agency if the Department of the Interior is not the cognizant/oversight agency for the recipient;

Awarding Official Responsibilities (Cont'd)

- Ensure that single audits are completed and reports are received in a timely manner;
- ***Make a management decision within 90 days of the date the audit was issued*** by the Office of Internal Evaluation and Assessment;
- ***Determine allowability of questioned costs;***
- Using the information contained in the recipient's financial statements, determine whether a misapplication of funds provided by Indian Affairs may have occurred.

Awarding Official Responsibilities…

- Request the National Business Center (NBC) issue a Bill for Collection, if applicable;
- Offer to assist recipients in developing Corrective Action Plans if there are findings of non-compliance or internal control weaknesses; and
- Identify issues requiring technical assistance and either provide the assistance or assist the recipient in identifying the source of assistance.
- Work with the program's AOTR to resolve specific questioned costs and financial status reports.

Ten Golden Rules for Tribes and the Bureau

1. Find an experienced CPA firm to do your audit.
2. Use an appropriate accounting system, and ensure that staff are well trained in its operation.
3. Maintain source documents for every charge made to federal awards.
4. Submit form 425A on time.
5. Submit annual Single Audit on time; do not be delinquent.

Tens Golden Rules for Tribes and the Bureau

6. Prepare and implement a corrective action plan that will adequately address audit findings.
7. Do NOT divert and spend advanced BIA funds for other activities.
8. Do NOT leave advanced BIA cash in uninsured or uncollateralized bank accounts.
9. Do NOT ignore BIA letters requesting a response to audit findings.
10. Comply with GASB 34.