



HRSA
Healthy
Grants
WORKSHOP

HRSA
Health Resources & Services Administration

A Healthy Single Audit and What to Expect During HRSA's Audit Resolution Process

Healthy Grants Workshop

July 13, 2022

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Vision: Healthy Communities, Healthy People



Agenda

- **Introduction**
- **Audit Requirements**
- **Report Submission**
- **Overview of Audit Resolution Process**
 - HRSA and Recipient Responsibilities
 - Types of Audits
 - Audit Findings and Recommendations
 - Management Decision Letter
- **HRSA's Audit Resolution Process**
- **HRSA's FY 2021 Year in Review**
- **Corrective Actions and Best Practices**
- **Wrap Up - Questions**



Audit Requirements

Statute: 45 Code of Federal Regulations Part 75 Subpart F, *Audit Requirements*

- Grant recipients that expend \$750,000 or more in federal awards in a FY must have Single Audits conducted
- Grant recipients that expend less than \$750,000 in federal awards in a FY are:
 - Exempt from the Single Audit requirements for that FY
 - Required to have records available for review or audit by appropriate officials of the federal agency, pass-through entity, and Government Accountability Office



Audit Report Submission

- **Timeframe for Single Audit Submission**

- Single Audit reports must be completed and submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 calendar days after receipt of the auditor's report, or 9 months after the end of the audit period

- **FAC Reporting Package must include:**

- Data Collection Form
- Single Audit Report

- **Delinquent Single Audit Reports**

- If grant recipients do not have their Single Audits performed and submit the related reports to the FAC within the required timeframe, they may be subject to further actions including:
 - Drawdown Restriction
 - Withholding a percentage of federal funds
 - Suspending federal funds
 - Reimbursable drawdowns
 - Termination of grant

Overview of the Audit Resolution Process

Audit Resolution is defined as the follow-up with grant recipients on audit findings by an awarding agency to ensure appropriate and timely corrective actions are taken

- HRSA Responsibilities
- Recipient Responsibilities



Overview of the Audit Resolution Process #2

HRSA's Responsibilities

- Working with grant recipients to resolve management (procedural) and monetary (questioned costs) audit findings
- Reviewing and assessing grant recipient corrective action plans (CAP) for adequacy
- Following up with grant recipients for written policies and procedures (P&P) supporting CAPs and additional explanations and documentation to support questioned costs
- Considering input from HRSA program and grant offices
- Issuing Management Decision Letters (MDL) on audit findings within six months
- Conveying appeal rights to grant recipients when questioned costs are disallowed in Management Decisions



Overview of the Audit Resolution Process #3

Grant Recipients' Responsibilities

- Providing CAPs to auditors for inclusion in Single Audits
- Ensuring CAPs address each audit finding, and include the names of the persons responsible for the corrective action, the corrective action planned, and the anticipated completion date
- Submitting new or strengthened P&Ps to HRSA specifically identifying how the corrective action planned is to be implemented for each audit finding to prevent them from repeating in future Single Audits
- Submitting additional explanations and supporting documentation to HRSA to substantiate questioned costs are allowable



Types of Audits/Reviews for Resolution

- **Single Audits**
- **Grant Reviews**
 - Performed by the Division of Financial Integrity (DFI)
 - Requested by Program/HRSA Management or in response to OIG complaints and allegations



Audit Findings and Recommendations

- **Audit Findings**

Instances of non-compliance with laws, regulations, or provisions of grant agreements identified by an auditor

- **Auditor Recommendations**

Specific instructions on how to correct deficiencies



Types of Audit Findings

- **Management Findings (Procedural)**
 - Significant deficiencies in internal controls
 - Material noncompliance with laws, regulations, contracts, or grant agreements
- **Monetary Findings**
 - Known questioned costs cited in the audit report
- **Repeat Findings**
 - Findings that were identified in a previous Single Audit for which corrective actions have not yet been completed as planned



Knowledge Check #1

Recipient responsibilities in the audit resolution process include:

- a. Providing CAPs to auditors for inclusion in Single Audits
- b. Submitting new or strengthened P&Ps to HRSA specifically identifying how the corrective action planned is to be implemented for each audit finding to prevent them from repeating in future Single Audits
- c. Submitting additional explanations and supporting documentation to HRSA to substantiate questioned costs are allowable
- d. All of the above



Knowledge Check #1 - Answer

Recipient responsibilities in the audit resolution process include:

- a. Providing CAPs to auditors for inclusion in Single Audits
- b. Submitting new or strengthened P&Ps to HRSA specifically identifying how the corrective action planned is to be implemented for each audit finding to prevent them from repeating in future Single Audits
- c. Submitting additional explanations and supporting documentation to HRSA to substantiate questioned costs are allowable
- d. All of the above

Answer - d. All of the above



Knowledge Check #2

The CAP must include the following (select all that apply):

- a. Corrective action planned
- b. Anticipated completion dates
- c. Cost of implementing the CAP
- d. Providing the name(s) of the contact person(s) responsible for corrective action



Knowledge Check #2 - Answer

The CAP must include the following (select all that apply):

- a. Corrective action planned
- b. Anticipated completion dates
- c. Cost of implementing the CAP
- d. Providing the name(s) of the contact person(s) responsible for corrective action

Answer: a, b, & d



HRSA's Audit Resolution Process

- **Grant recipients are required to submit their Single Audit report to the FAC**
- **DFI receives Single Audit findings relating to HRSA grant programs for resolution from HHS ASFR Audit Resolution Division**
- **DFI staff work directly with grant recipients to obtain a correction action plan**
- **HRSA has six months to ensure adequate corrective actions were taken regarding audit findings and to issue management decisions**



HRSA's Audit Resolution Process – Management Findings (Procedural)

- **Procedural finding** - Recipients concur or do not concur
- **Concur** – recipient provides CAP detailing corrective action taken to address deficiency and strengthened policies and procedures to ensure it does not appear in subsequent audit reports
- **Non-concur** - recipient provide basis as to why they believe the finding is not valid along with supporting documentation including policies and procedures
- DFI reviews the basis and supporting documentation to determine whether it agrees with recipient's response
- DFI issues Management Decision Letters (MDL)



HRSA's Audit Resolution Process – Monetary Findings (Questioned Costs)

- **Questioned Costs \$** - Recipients concur (pay back questioned amount) or do not concur
- **Non-concur** – recipient provide basis as to why they believe the questioned costs were allowable along with supporting documentation such as invoices, cancelled checks, payroll journals, etc.
- DFI reviews the basis and supporting documentation to determine whether it agrees that the questioned costs are allowable
- DFI issues MDLs



Management Decision Letters

MDLs sent to grant recipients must include:

- Whether or not HRSA agrees with the finding and proposed CAP
- The reasons for the decision
- Whether CAPs were adequate to resolve management (procedural) findings and to prevent similar audit findings in future Single Audits
- Whether monetary findings (questioned costs) were disallowed and if so, the reasons
- Whether or not HRSA will require the grant recipient to repay disallowed costs
- Instructions / payment options for returning disallowed costs
- Appeal rights for disallowed questioned costs



Other Audit Resolution Activities

Grant Review Findings

- Process initiated when final reports issued
- HRSA has six months from the report issue dates to ensure adequate corrective actions are taken regarding audit findings and to issue management decisions



FY 2021 Year in Review

- Resolved findings within 215 Single Audit Reports
- Resolved findings within 9 Grant Review Reports



FY 2021 Year in Review (Continued)

Common Audit Findings:

- Reporting
- Allowable Costs/Cost Principles
- Procurement
- Special Test and Provisions
- Cash Management



Knowledge Check #3

True or False: HRSA has one year to resolve Single Audit and Grant Review findings.



Knowledge Check #3 - Answer

True or False: HRSA has one year to resolve Single Audit and Grant Review findings.

Answer: False – HRSA has 6 months to resolve the findings.



Corrective Actions and Best Practices

CAP

- Required by Uniform Guidance
- Should prevent finding from repeating and must include:
 - Responsible recipient official
 - Corrective actions planned
 - Timeframe

Policies and Procedures (P&Ps):

Must send new or strengthened P&Ps to support the corrective actions planned



Corrective Actions and Best Practices #2

Example 1 – Reporting Findings

- Untimely submission of Single Audit Reports (SAR) or Federal Financial Reports (FFR)
- Schedule of Expenditures of Federal Awards (SEFA) within SAR not accurate
- FFRs not supported by accounting reports

Acceptable Corrective Action

- CAPs
- P&Ps
 - SARs and FFRs must be submitted by deadlines
 - SEFA must include all expenditures of Federal awards
 - FFR expenditures and program income must be reconciled to accounting reports



Corrective Actions and Best Practices #3

Example 2 – Unallowable Costs Findings

- Unsupported expenditures – no or inadequate supporting documentation (#1 reason for refund)
- Specific Unallowable Costs - alcohol, entertainment, meals, etc.
- Costs Not Allocable – do not relate to grant project or outside period of performance

Acceptable Corrective Action

- **CAPs**

Supporting Documentation - explanations and adequate source documentation substantiating that questioned costs are allowable

- **P&Ps**

- Costs must be supported by adequate source documentation - invoices, cancelled checks, payroll journals and records, contract/consultant agreements, etc.
- Unallowable costs not charged
- Only allocable costs charged



Corrective Actions and Best Practices #4

Example 3 – Procurement Findings

- Inadequate or no supporting documentation maintained
- No supervisory review or approval of purchases, to include credit card purchases
- No cost or pricing data or sole source justification maintained if not completed
- System for Award Management not checked for suspension or debarment

Acceptable Corrective Action

- CAPs
 - Supporting documentation to be maintained for all procurements
 - P&Ps
 - Purchases supported by adequate source documentation – purchase orders, sole source justifications, cost and pricing data, receiving reports, invoices, cancelled checks, contractual/consultant agreements, etc.



Corrective Actions and Best Practices #5

Example 4– Cash Management

- Separation of Duties
- Drawdown in Excess of Need
- Internal Controls – Cash Disbursement
- Lack of / Improper account reconciliations

Acceptable Corrective Action

- CAPs
- P&Ps
 - Same person cannot be responsible for all aspects of a transaction including making PMS drawdowns, approving expenditures, signing checks, and reconciling accounts.
 - Drawdowns must be limited to allowable grant expenditures already incurred or to be paid within a reasonable time period.
 - Grant expenditures can only be incurred during the availability period identified in Notice of Award.
 - Bank Statements and General Ledger accounts must be reviewed and reconciled within a reasonable period of time.

Corrective Actions and Best Practices #6

Example 5 – Sliding-Fee Discount Findings

- Lack of Eligibility documentation
 - Not obtained during intake
 - Federal Poverty Guidelines not used or applied correctly
 - Not maintained
- Improper calculation of sliding fee discounts or application of sliding fee scale

Acceptable Corrective Action

- CAPs
- P&Ps
 - Maintain income verification documentation
 - Use current Federal Poverty Guidelines from Federal Register
 - Approved calculation methodologies used and double-checked



Wrap Up - Questions



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