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

Healthy Grants Workshop

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Agenda

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• Audit Requirements
• Report Submission
• Overview of Audit Resolution Process
  o HRSA and Recipient Responsibilities
  o Types of Audits
  o Audit Findings and Recommendations
  o Management Decision Letter
• HRSA’s Audit Resolution Process
• HRSA’s FY 2021 Year in Review
• Corrective Actions and Best Practices
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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:
  o Exempt from the Single Audit requirements for that FY.
  o 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
  o Performed by the Division of Financial Integrity (DFI)
  o 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)**
  o Significant deficiencies in internal controls
  o Material noncompliance with laws, regulations, contracts, or grant agreements

• **Monetary Findings**
  o Known questioned costs cited in the audit report

• **Repeat Findings**
  o Findings that were identified in a previous Single Audit for which corrective actions have not yet been completed as planned
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
Common Audit Findings:

• Reporting
• Allowable Costs/Cost Principles
• Procurement
• Special Test and Provisions
• Cash Management
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:
  o Responsible recipient official
  o Corrective actions planned
  o 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
  o SARs and FFRs must be submitted by deadlines
  o SEFA must include all expenditures of Federal awards
  o 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
  o Supporting documentation to be maintained for all procurements
  o 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
  o Same person cannot be responsible for all aspects of a transaction including making PMS drawdowns, approving expenditures, signing checks, and reconciling accounts.
  o Drawdowns must be limited to allowable grant expenditures already incurred or to be paid within a reasonable time period.
  o Grant expenditures can only be incurred during the availability period identified in Notice of Award.
  o 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
  o Not obtained during intake
  o Federal Poverty Guidelines not used or applied correctly
  o Not maintained
• Improper calculation of sliding fee discounts or application of sliding fee scale

Acceptable Corrective Action

• CAPs
• P&Ps
  o Maintain income verification documentation
  o Use current Federal Poverty Guidelines from Federal Register
  o Approved calculation methodologies used and double-checked
Wrap Up - Questions
Contact Information

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