Audit Resolution Process

How HRSA can help to resolve audit findings related to HRSA grants

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Agenda

• Introduction
• 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
• Delinquent Single Audit Reports
• HRSA’s Audit Resolution Process
• HRSA’s FY 2016 Year in Review
• Corrective Actions and Best Practices
• Wrap Up - Questions
Audit Requirements

• Statute: 45 CFR 75 Subpart F, Audit Requirements
  o Grant recipients that expend $750,000 or more in federal awards in a fiscal year must have single audits conducted in accordance with 45 CFR Part 75, Subpart F

• Grant recipients that expend less than $750,000 of Federal awards in a fiscal year are:
  o Exempt from the Single Audit Requirements for that fiscal year
  o Required to have records available for review or audit by appropriate officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO)
Audit Report Submission

• Timeframe for Single Audit Submission
  o Single audits must be completed and submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor’s report, or nine months after the end of the audit period.

• Submission to the Federal Clearinghouse should include:
  o Data Collection Form
  o Reporting Package
Overview of the Audit Resolution Process

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

  o HRSA Responsibilities

  o Recipient Responsibilities
Overview of the Audit Resolution Process

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

  o Providing CAPs to auditors for inclusion in single audit reports

  o Ensuring CAPs address each audit finding, the corrective action planned, and the anticipated completion date

  o Submitting new or strengthened policies and procedures to HRSA which address audit findings and prevent them from repeating in future single audit reports

  o Submitting additional explanations and documentation to HRSA to support questioned costs.
Types of Audits for Resolution

• Single Audits

• Office of Inspector General (OIG/OAS)

• Special/Grant Review
  o Conducted by the Division of Financial Integrity
  o Requested by Program/HRSA Management
Audit Findings and Recommendations

• Audit Findings
  o An audit finding is an instance of non-compliance with laws, regulations or provisions of grant agreements identified by the auditor during a single audit

• Auditor Recommendations
  o Specific instructions on how to resolve audit findings
Types of Audit Findings

- Monetary Audit Findings
  - Known Questioned Costs cited in the audit report

- Management Findings (Procedural)
  - Significant deficiencies in internal controls
  - Material noncompliance with laws, regulations, contracts, or grant agreements

- Repeat Findings
  - A finding that was identified in the previous single audit report for which a corrective action has not been completed as planned.
Management Decision Letter (MDL)

The MDL is issued to grant recipients and must include:

- Whether or not HRSA agrees with the finding
- The reasons for the decision
- Whether Corrective Action Plans were adequate to resolve management (procedural) findings and to prevent similar audit findings in future single audit reports
- Whether monetary findings (questioned costs) were disallowed and if so, the reasons
- Whether or not the agency will require the recipient to repay disallowed costs
- Instructions / payment options for returning disallowed costs
- Appeal rights with the Departmental Appeals Board for questioned costs disallowances requiring grant funds be returned
Delinquent Single Audit Reports

• If a recipient fails to have a single audit performed and submitted to the Federal Audit Clearinghouse within the required timeframe they are subject to sanctions including:
  o Drawdown Restrictions (DDR)
  o Withholding a percentage of federal funds
  o Suspending Federal Funds
  o Reimbursable drawdowns and
  o Termination of the grant
Audit Resolution Process
Audit Resolution Process

• How does HRSA become involved?

• Recipients are responsible for submitting their single audit to the Federal Audit Clearinghouse (FAC)

• FAC transmits HHS audits with findings to DHHS, Office of Inspector General (OIG), National External Audit Review Center (NEAR)

• NEAR also sends a letter to the recipient asking them to respond to HRSA regarding the findings

• DHHS/OIG/NEAR transmits audits with HRSA findings to DFI
• Once audits are accepted by FAC and assigned to HRSA by DHHS/OIG/NEAR, DFI’s Audit Resolution Teams go to work

• The Division of Financial Integrity (DFI) performs the Audit Resolution function for HRSA

• In accordance with Uniform Guidance, HRSA has 6 months to ensure corrective action has been taken regarding single audits and OIG audits. For single audits the 6 month timeframe is based on the date the audit was accepted to the Federal Audit Clearinghouse (FAC)

• For the purpose of consistency, we match the 6 month timeline for Grant Reviews

• DFI Staff Members work directly with the recipient towards corrective action, establishing an open line of communication and trust – We are here to help!
Audit Resolution Process (Cont.)

• Initial Engagement

• Email
  o 30-days to submit corrective action
  o Second Notice if Necessary
  o Final Notice

• Open Communication
  o Opportunity to ask questions
Audit Resolution Process (Cont.)

- DFI Auditor Reviews audit report and recipient response
  - Treat each finding separately
  - Ensure corrective action ties to auditor recommendation
  - Implementation of revised Policies and Procedures
  - Responses are assessed for adequacy in preventing audit findings from repeating in the future
  - Additional information may be needed

- Collaborate with Program and Division of Grants Management Operations on resolution of audit findings and final determination

- DFI Management Approval

- Issue MDL
  - Notify recipient of decision, whether or not recommendation was satisfied/resolved
Audit Resolution Process – Monetary Findings

• Questioned Costs $$$

• Supporting Documentation is required
  o Invoices, cancelled checks, payroll journals, etc.

• Review of Questioned Costs and Supporting Documentation Received

• Issue MDL
  o Will be very detailed, including:
    • Reason for decision
    • Repayment options
    • Appeal rights
FY 2016 Year in Review

- In FY 2016 alone, HRSA was assigned 278 Audit Reports for resolution which contained 618 findings.

- Approximately 10% of our award recipients receive an audit that contains findings which are assigned to HRSA for resolution.
OIG Audits / DFI Grant Reviews

- DFI performs audit resolution for these activities as well

- Similar process to the one described for single audits followed for these

- Deadline of six months to issue Management Decisions as well
Corrective Actions & Best Practices
CorrectiveActions and Best Practices

• Corrective action plan
  o Uniform Guidance Requirement
  o Must address auditor’s recommendation

• Policies and Procedures
  o HRSA Requirement
  o Implemented
  o Procedures must tie directly to recommendation
Corrective Actions and Best Practices

• Example 1 – Reporting Findings
  o Untimely submission of Federal Financial Reports (FFR) and Single Audit Reports
  o Schedule of Expenditures of Federal Awards (SEFA) not accurate

• Acceptable Corrective Action
  o Corrective Action Plan
  o Policy and Procedures
    • Auditor Engagement
    • 9-month requirement
    • FFR Timeframes
    • All federal funds expended included in SEFAs
Corrective Actions and Best Practices (Cont.)

• Example 2 – Sliding Fee
  o Improper Calculation Scale/Schedule
  o Lack of Eligibility documentation
    • During intake
    • On File
  o Federal Poverty Guidelines

• Acceptable Corrective Action
  o Corrective Action Plan
  o Policy and Procedures
    • Approved calculation methodologies used and double-checked
    • Document retention procedures
    • Income verification during intake & follow ups, if unavailable
    • Federal Poverty Levels from Federal Register used
Corrective Actions and Best Practices (Cont.)

• Example 3 – Program Income
  o Improper alternative applied
  o Improper sliding fee - over and understated Program Income
  o Improper use of Program Income

• Acceptable Corrective Action
  o Corrective Action Plan
  o Policy and Procedures
    • Applicable alternative reflected
    • Sliding-fee scale used to calculate
    • Only used to benefit target-patient population
    • Properly reported in FFR
Corrective Actions and Best Practices (Cont.)

• Example 4 – Allowable Costs
  o Unsupported expenditures – no or inadequate supporting documentation (#1 reason for refund)
  o Unallowable Costs - alcohol, entertainment, meals, etc.
  o Not allocable – does not relate to grant project or outside period of performance

• Acceptable Corrective Action
  o Corrective Action Plan
  o Supporting Documentation
    • Complete and indexed
  o Policies and Procedures
    • Costs supported by adequate documentation - invoices, cancelled checks, payroll journals and records, contract/consultant agreements, etc.
    • Unallowable costs not charged
    • Only allocable costs charged
    • Funds properly segregated in General Ledger
Corrective Actions and Best Practices (Cont.)

• Example 5 – Special Test (Board Members)
  o Non-compliance with 51-percent rule - majority not health center patients
  o Governing Board did not meet monthly
  o Compliance Supplement

• Acceptable Corrective Action
  o Corrective Action Plan
  o Policy and Procedures
    • Majority must be health center patients
    • Hold monthly meetings and maintain records/minutes
    • Board responsibilities - approving policy changes, executive hiring, etc.
Corrective Actions and Best Practices (Cont.)

• Example 6 – Cash Management
  o Segregation of Duties
  o Drawdown in Excess of Need / Deferred Revenue
  o Internal Controls – Cash Disbursement
  o Lack of / Improper account reconciliations

• Acceptable Corrective Action
  o Corrective Action Plan
  o Policy and Procedures
    • Only designated staff authorized to make drawdowns, handle cash receipts, and sign checks
    • Proper management and reporting in FFRs of drawdown advances – only for expenditures within next 72 hours
    • Grant funds can only be expended during period of performance
    • General Ledger accounts review process including reconciliation timeframes
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