
VIRTUAL FINANCIAL MANAGEMENT INSTITUTE

The Single Audit Process



U.S. Department of Education • Office of Vocational and Adult Education • Division of Academic and Technical Education



104 Module introduction

About this module

Understanding and applying OMB Circular A-133 to the OVAE audit process is an important part of the job for recipients of Perkins IV grants. This module is designed to improve your understanding of the single-audit process.

In this module

This module contains the following topics:

- The single-audit process
- OVAE's audit resolution process
- Common audit findings, including early prevention and intervention tips
- Recordkeeping and interaction with auditors
- Audit monitoring with internal controls



104 Module objectives

Goals

The **Single-Audit Process** module provides an overview of the Office of Vocational and Adult Education/Division of Adult and Technical Education (OVAE/DATE) audit process as mandated by OMB Circular A-133.

Objectives

After completing this module, you should be able to:

- State the purpose of Circular A-133 as it applies to the single-audit process.
- Describe the OVAE/DATE audit process.
- List the internal audit controls.



104 About the single audit

Purpose

Over \$300 billion of federal awards, representing 1/6 of the annual Federal budget, are expended by non-Federal entities (NFEs). The single audit is the primary mechanism used by Federal agencies and pass-through entities to ensure accountability for these funds.

Single Audit Act

The Single Audit Act of 1984 legislatively established uniform audit requirements and an organization-wide audit process for State and local governments.

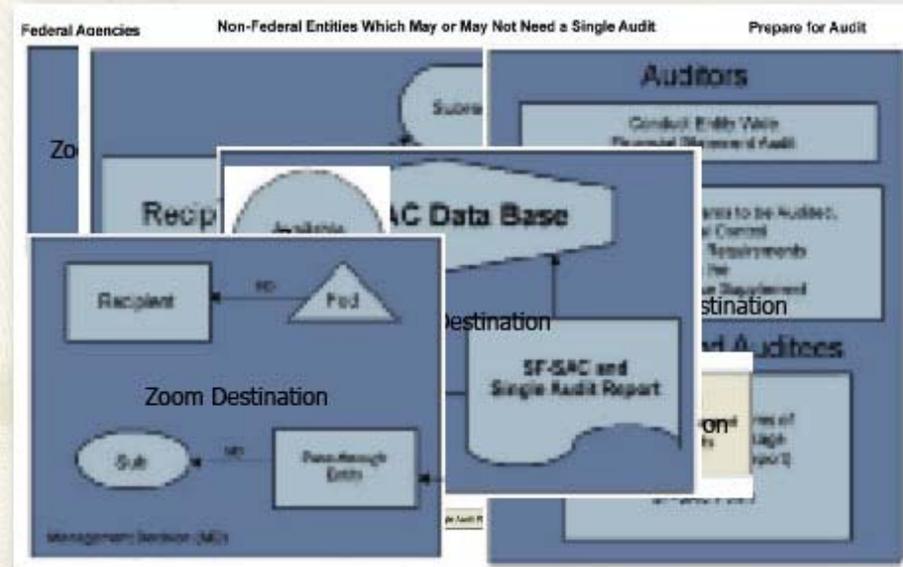
1996 amendments

The Single Audit Act Amendments of 1996 extended the statutory audit requirement to non-profit organizations, placing States, local governments, universities, and non-profit organizations under the same audit process.



104 Single-audit process overview

Flowchart





104 OMB Circular A-133

History

To implement the 1996 amendments, OMB Circular A-133 was revised and renamed "*Audits of States, Local Governments, and Non-Profit Organizations*" (Circular).

Purpose

The purpose of OMB Circular A-133 is to set standards for consistency and uniformity for the audits required by the 1996 amendments.

Contents

OMB Circular A-133 provides specific policy, procedures, and criteria which Federal agencies, auditees, and auditors are required to follow. The Circular is organized into the following sub-parts:

- General
- Audits
- Auditees
- Federal Agencies and Pass-through Entities
- Auditors



104 OMB Circular A-133 sub-parts

General	This sub-part states the purpose of the Circular and the definitions of terms used frequently in the single audit process
Audits	This sub-part contains specific information on audit requirements and other information related to the performance of the audit.
Auditees	This sub-part provides detailed information on the responsibilities of auditees.
Federal agencies and pass-through entities	This sub-part describes the responsibilities of Federal agencies and pass-through entities.
Auditors	This sub-part outlines the responsibilities of auditors.



104 Compliance supplement

Purpose

The purpose of the compliance supplement is to provide guidance to the auditor about testing Federal program compliance requirements considered most likely to be a "major program."

A Matrix of Compliance Requirements identifies which of 14 types of compliance requirements may apply to a Federal program.

Updates and revisions

OMB issues an annual revision to the supplement in order to accommodate new, revised, or terminated programs. Non-Federal officials can suggest that OMB make improvements to the supplement through an annual notice in the *Federal Register* requesting comments.



104 OVAE audit resolution process

Guidelines

The OVAE audit resolution process follows the OMB guidelines for resolution. Guidelines under EDGAR, 2 CFR, Part 225, which replaces A-87, Revised, and Perkins-specific regulations also apply.

Required information

As required by OMB Circular A-133, the audit must include the auditee's response and a corrective action plan. Any additional information that brings resolution of the finding is helpful.

The completed audit package (financial statement and compliance audit) must be resubmitted to the Department of Education through the Federal Audit Clearinghouse the earlier of:

- 9 months after the end of the fiscal year; or
- 30 days after the completion of the audit.



104 OVAE audit resolution process, continued

Review

Audit findings are reviewed by an audit specialist in the OVAE/DATE Program Administration Branch. Similar findings (cross-cutting) are resolved in coordination with other Department of Education Program Offices.

Resolution

When all matters are resolved, OVAE issues a Program Determination Letter (PDL) showing the disposition of all findings. Findings are either noted as:

- *Resolved*
- *Resolved and Closed*

A finding that receives an initial disposition of *Resolved* can, once all findings are addressed, receive a final disposition of *Resolved and Closed*.



104 Analysis of findings

Common findings

Using OMB Circular A-133, a Department of Education analysis of audits from all 50 States discovered the following findings:

- **29%** of State audits showed unallowable costs of activities
- **16%** of State audits contained findings that disclosed States did not complete federal requirements for reporting and accountability
- **10%** of State audits had findings that dealt with property and procurement
- **9%** of State audits involved subrecipient monitoring, which may be a growing concern in the future due to the economic downturn
- **9%** of State audits discovered cash management issues, such as accounting entry issues and incorrect expenditures



104 Auditee responsibilities

Primary responsibilities

Entities being audited are responsible for:

- Identifying Federal awards received and expended
- Preparing financial statements and a Schedule of Expenditures of Federal Awards (SEFA)
- Obtaining the audit and ensuring it is completed
- Completing the corrective action plan and submitting to the auditor for insertion in the audit package
- Submitting the audit reporting package and Data Collection Form (form SF-SAC) to the Federal Audit Clearinghouse (FAC) and pass-through entities
- Taking corrective action on audit findings



104 Basic requirements

Annual submissions

Each State or entity is required to submit an annual financial statement and compliance audit under A-133. As of January 1, 1987, States and local governments required by constitutions or statutes audits less frequently than annually. These governments are permitted to undergo the single audit biennially.

Required audits

Submission by all non-Federal entities that expend \$500,000 or more of total Federal awards in a year are required to obtain an annual audit.

Audit exemptions

Entities expending less than \$500,000 in a year in total Federal funds are exempt from Federal audit requirements. However, they must make their records available for review or audit by Federal agencies or pass-through entities (non-Federal entities from whom they receive Federal funds) if requested.



104 Record retention requirements

Federal requirements

According to OMB Circular A-133, the average government requirement is 3 years. This may be in addition to individual program requirements, such as EDGAR or Perkins IV, or departmental requirements.

Other factors

Record retention is required if there are:

- Open government issues
- Open audits
- Examinations
- Appeals
- Other matters open with the Department of Education

The retention period for records of these matters is indefinite.



104 About internal controls

Definition

Internal controls are:

- An accounting procedure or system
- Instituted by an organization
- Designed to promote efficiency, ensure the implementation of a policy, safeguard assets, or avoid fraud and error

It is the means an organization, company, or entity (e.g., a state government) has of providing the means to conduct business in an orderly and efficient manner with the least amount of risk.

In relation to findings

Repeat findings in a compliance audit are an indicator of no or poor internal controls. Without good internal controls, an organization is at risk for submonitoring issues, such as an inability to track and evaluate how grant funds are spent by entities.



104 Examples of internal controls

Segregation of duties

Internal controls can also be methods within an organization that guard against fraud, waste, abuse, and mismanagement of resources. An organization may separate operational and administrative duties, where, if combined, theft may occur.

Employee procedures

Internal controls can consist of a system of procedures to ensure that if fraud or errors occur, they will be detected by employees performing their normal duties. For example, private sector companies require two authorized signatures to ensure that a payment is legitimate.

Frequent bank reconciliations

Internal controls can be implemented as a management process designed to provide reasonable assurance that the department can achieve its objectives, such as ensuring that physical cash transactions have been recorded by someone other than the transaction clerk.



104 Principles of internal controls

Description

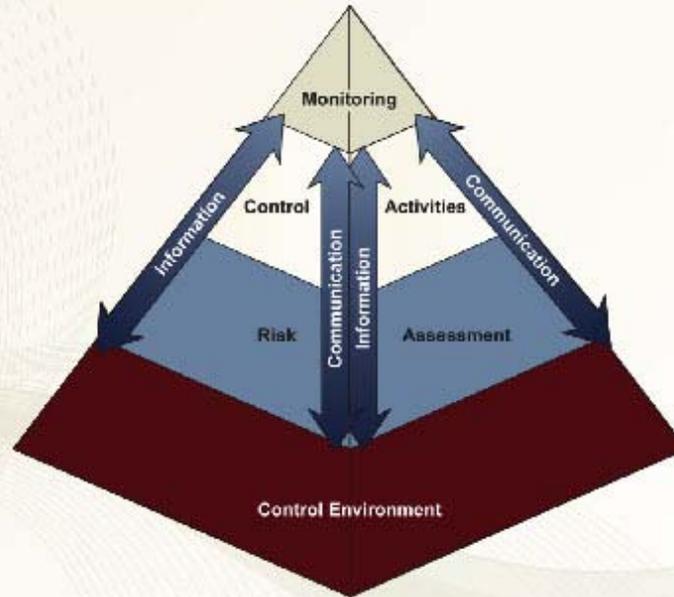
Good internal controls share some basic principles:

- An **end-to-end process** that starts when an entity or State applies for a grant and ends when the entity, as a result of a compliance audit, presents a compliance/monitoring plan that demonstrates that they have identified their risks and the tools to minimize said risk.
- Is **effected by people**: entities will self-monitor, while the State and Department of Education will also monitor.
- **Provides reasonable assurance** that all regulations, policies, and procedures are being followed correctly that achieves low risk to taxpayer dollars.
- **Geared to the achievement of objectives** identified due to audit findings and monitoring visits.



104 Improving internal controls

Internal control pyramid





104 Module summary

Description

The **Single-Audit Process** module provides an overview of the Office of Vocational and Adult Education/Division of Adult and Technical Education (OVAE/DATE) audit process as mandated by OMB Circular A-133.

Objectives

Now that you have completed this module, you should be able to:

- State the purpose of Circular A-133 as it applies to the single-audit process.
- Describe the OVAE/DATE audit process.
- List the internal audit controls.



104 Additional resources

Office of Management and Budget

- [OMB Circular No. A-133](#)
- [June 2010 Compliance Supplement](#)
- [March 2009 Compliance Supplement](#)

Advanced Government Accountability

The Partnership for Intergovernmental Management and Accountability is dedicated to identifying and solving the management and accountability issues facing governments today.

- [Risk Assessment Monitoring Tool](#)
- [Financial and Administrative Monitoring Tool](#)

Department of Education

- [Indirect Cost Group](#)

Department of Health and Human Services

- [HHS C-10](#)



104 Additional resources

Higher education, hospitals, and non-profits

Applicable to institutions of higher education, hospitals and non-profits.

- OMB Circular A-133 .400(d)(3), issued under the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156.
- Single Audit Act, 1996 Amendments, 31 U.S.C. §7502(f)(2)(B).
- OMB A-133 Compliance Supplement, Part 3, § M.
- Title 34, Parts 74-99 of the Code of Federal Regulations (CFR), collectively referred to as the Education Department General Administrative Regulations, or EDGAR.

State, local, and Indian tribal governments

Applicable to state, local and Indian tribal governments.

- U.S. Department of Education Grant Bulletin, Assessing Grant Applicant and Grant Recipient Risk Prior to Making New and Continuation Awards, GB #11-01, effective June 1, 2011.



104 Audit resources

General Accounting Office

- [GAO Policy and Procedures Manual Guidance for Federal Agencies](#) (replaces GAO Yellow Book)
- [How to Avoid a Substandard Audit: Suggestions for Procuring an Audit](#) (National Intergovernmental Audit Forum; May 1988)
- [Internal Control Management](#), GAO 01-1008G
- [Standards for Internal Control](#), GAO/AIMD 00-21.3.1
- [Performance & Accountability Challenges and High Risk](#), GAO 01-159SP

Federal Audit Databases

- [Catalog of Federal Domestic Assistance - Federal Award Programs](#)
- [Federal Audit Clearinghouse - Single Audit SF-SAC Data](#)



104 Additional information

Contact list

- To learn more about financial management and reporting, contact Andrew Johnson by e-mail at andrew.johnson@ed.gov or call 202-245-7786.
- For questions concerning indirect costs, e-mail IndirectCostGroup@ed.gov.
- To learn more about Perkins funding strategies or maintenance of effort, contact Len Lintner by e-mail at len.lintner@ed.gov or call 202-245-7741.
- To learn more about the single audit process, contact John Miller by e-mail at john.miller@ed.gov or call 202-245-7713.
- To learn more about subrecipient monitoring, contact Edward Smith by e-mail at edward.smith@ed.gov or call 202-245-7602.