



Succeed with the State Fiscal Recovery Fund Projects

A Proactive Approach to Prevent Common Audit Findings

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Objective

To provide an overview of common audit findings and key takeaways related to State Fiscal Recovery Fund Projects.



Agenda

- **Audit Findings**
 - Expenditures
 - Procurement
 - Outputs and Outcomes
 - Subrecipient and Contractor Determination
 - Contractor Monitoring
- **Subrecipient Monitoring**
- **Sample of Documents Requested During Audits**
- **Key Takeaways**
- **Resources**



Audit Findings - Expenditures

Finding: Ineligible Contractor Expenditures

Ineligible expenditures due to invoices without sufficient details or documentation required by the contract, or duplicative awards.

Recommendations:

Ensure internal controls over expenditures include the following:

1. Multiple levels of review.
2. Policies and procedures to ensure invoices are consistent with the contract and include detail and documentation to substantiate expenditures.



Audit Findings - Expenditures (Cont.)

Finding: Inappropriate Advanced Payments

A one-time advanced payment was made for the entire contract amount exceeding the immediate program need.

Recommendations:

1. Review the related federal regulations and state policies and guidance to understand the requirements of advanced payments.
2. Advance payments as allowable, minimizing the time between the advance and disbursement.



Audit Findings - Procurement

Findings: Procurement and Contracting Practices Need Strengthening

1. Federally required contract provisions were not included in contracts and agreements, e.g., Suspension and Debarment provision.
2. Required federal award information was not included in the subrecipient agreements, e.g., federal award date and federal awarding agency.
3. Procurement files did not always include appropriate supporting documentation.
4. Contract amendment was executed after the agreement expired.



Audit Findings - Procurement (Cont.)

Recommendations:

1. Develop documented policies and procedures to ensure compliance with relevant federal and state laws, regulations, and guidance.
2. Maintain procurement and contracting documents in the procurement file.
3. Analyze and document compliance with federal and state requirements regarding contract amendments and contract provisions.

Audit Findings - Outputs/Outcomes

Finding: Outputs/Outcomes Reporting Needs Improvement

1. Output and outcome statements were not always clear and concise, and it was unclear how goals were developed.
2. Different output and outcome statements reported the same performance data.
3. Performance data were not always accurate, complete, or supported due to the following:
 - a) The methodology used to calculate the performance data
 - b) Reporting expected/estimated instead of the required actual performance data
 - c) Incorrect reporting period
 - d) Performance data was not reported for all SFRF programs
4. Documentation to support the reported performance data was not maintained.



Findings - Outputs/Outcomes (Cont.)

Recommendations:

1. Report output and outcome statements that are clear, concise, and include goals that are supported.
2. Avoid reporting on the same data for both outputs and outcomes.
3. Report performance data that are accurate, complete, and supported by the following:
 - a) Calculations that are reflective of the performance data
 - b) Actual metrics rather than estimated results
 - c) Data within the established reporting period
 - d) Source documents used to report data into the SFRF Portal
4. Develop documented policies and procedures, to accurately collect, track, and report outputs and outcomes, and maintain the related supporting documents.



Audit Findings- Subrecipient and Contractor Determination

Finding:

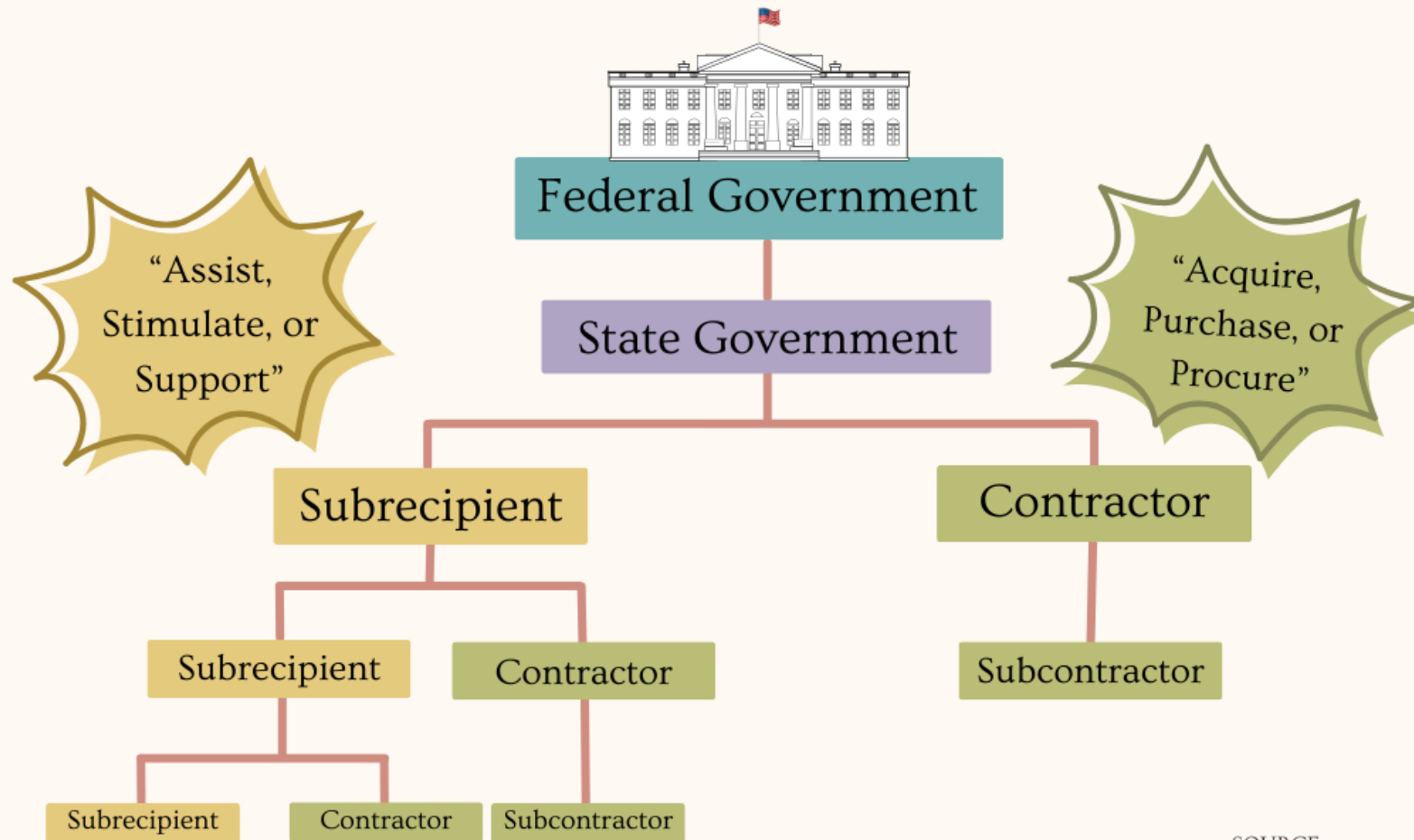
The determination and analysis of whether the awardee is a subrecipient or contractor was not made and/or documented.

Recommendation:

Perform, document, and maintain the analysis and determination of the relationship with the award recipients. Generally:

- Subrecipients – Assist, stimulate, or support
- Contractors – Acquire, purchase, or procure

FEDERAL AWARD RELATIONSHIPS



SOURCE:
federalfundmanagement.com
consultlloyd@aol.com
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Audit Findings - Contractor Monitoring

Finding: Oversight of Contractor Activities Needs Improvement

Monitoring was not adequate to ensure the accuracy and completeness of claimed costs/reported data and eligible use of SFRF.

Recommendation:

Contractor oversight should include the following:

1. Implement policies and procedures for contractor oversight that include steps to:
 - a) Verify work performed and eligible use of SFRF
 - b) Ensure accuracy and completeness of costs claimed/reported data
2. Monitor work performed to ensure contractors perform as required by contract terms and conditions.



Subrecipient Monitoring

- Evaluating and documenting each subrecipient's risk of noncompliance. Factors to consider:
 - Subrecipient's prior experience
 - Previous audit results
 - Personnel, new system, or changes to an existing system
 - The extent and results of federal awarding agency monitoring
- Reviewing financial and performance reports.
- Federal award-related deficiencies follow-up.
- Issuing a management decision for applicable audit findings related to the federal award.
- Resolving audit findings specifically related to the federal award.
- Verifying compliance with the Single Audit requirements (Threshold: \$750,000 annually).



Subrecipient Monitoring (Cont.)

Subrecipient monitoring may include the following:

- Issuing written policies and procedures
- Performing site visits
- Providing training and technical assistance on program-related matters
- Arranging for agreed-upon-procedures engagements.



Examples of Documents Requested During Audits

- Contracts, contract amendments, invoices, and documentation to support invoices were reviewed and approved prior to disbursement
- Documentation to support suspension and debarment verification activities for contractors and subrecipients
- Current policies and procedures for monitoring subrecipients under the program
- Risk assessment performed to evaluate the nature and extent of subrecipient monitoring
- Documents supporting subrecipient monitoring activities
- Single Audit Report for subrecipients and documentation to support the state entity performed the following:
 - Obtained and reviewed the audit reports for potential findings
 - Communicated and followed up on the findings, if applicable



Key Takeaways

Policies and procedures:

- Develop and implement documented policies and procedures.
- Periodically review the federal and state requirements and update the related policies and procedures to ensure compliance with the SFRF requirements.

Supporting documents:

- Maintain supporting documents to provide a clear audit trail.
- Maintain financial and non-financial records for five years.

Outputs and outcomes:

- Ensure outputs and outcomes statements are clear and understandable.
- Ensure performance data are accurate, complete, and supported.

Contractors:

- Monitor contractors to ensure work is performed as required by contract terms and conditions.
- Review source documents to verify work performed, eligible use of SFRF, and the accuracy and completeness of costs claimed/reported data.

Subrecipients:

- Perform monitoring activities for subrecipients as required.

Subrecipient and Contractor Determination

- Subrecipients – Assist, stimulate, or support
- Contractors –Acquire, purchase, or procure



Resources

Federal Resources – Code of Federal Regulations

- 2 CFR 200.302, Financial Management
- 2 CFR 200.303, Internal Controls
- 2 CFR 200.305 – Federal Payment
- 2 CFR 200.318 (b), General Procurement Standards
- 2 CFR 200.331, Subrecipient and Contractor Determinations
- 2 CFR 200.332, Requirements for Pass-through Entities
- 2 CFR Appendix II to Part 200 - Contract Provisions for Non-Federal Entity Contracts Under Federal Awards



Resources (Cont.)

State Resources - State Contracting Manual

- Volume 1, section 9.04, Responsibilities of a Contract Manager
- Volume 1, section 3.02, Consultant Services Contracts
- Volume 2, Chapter 14, Competitive Acquisition Methods
- Volume 2, Chapter 15, Non-competitive Acquisition Methods



Questions?

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Thank you!