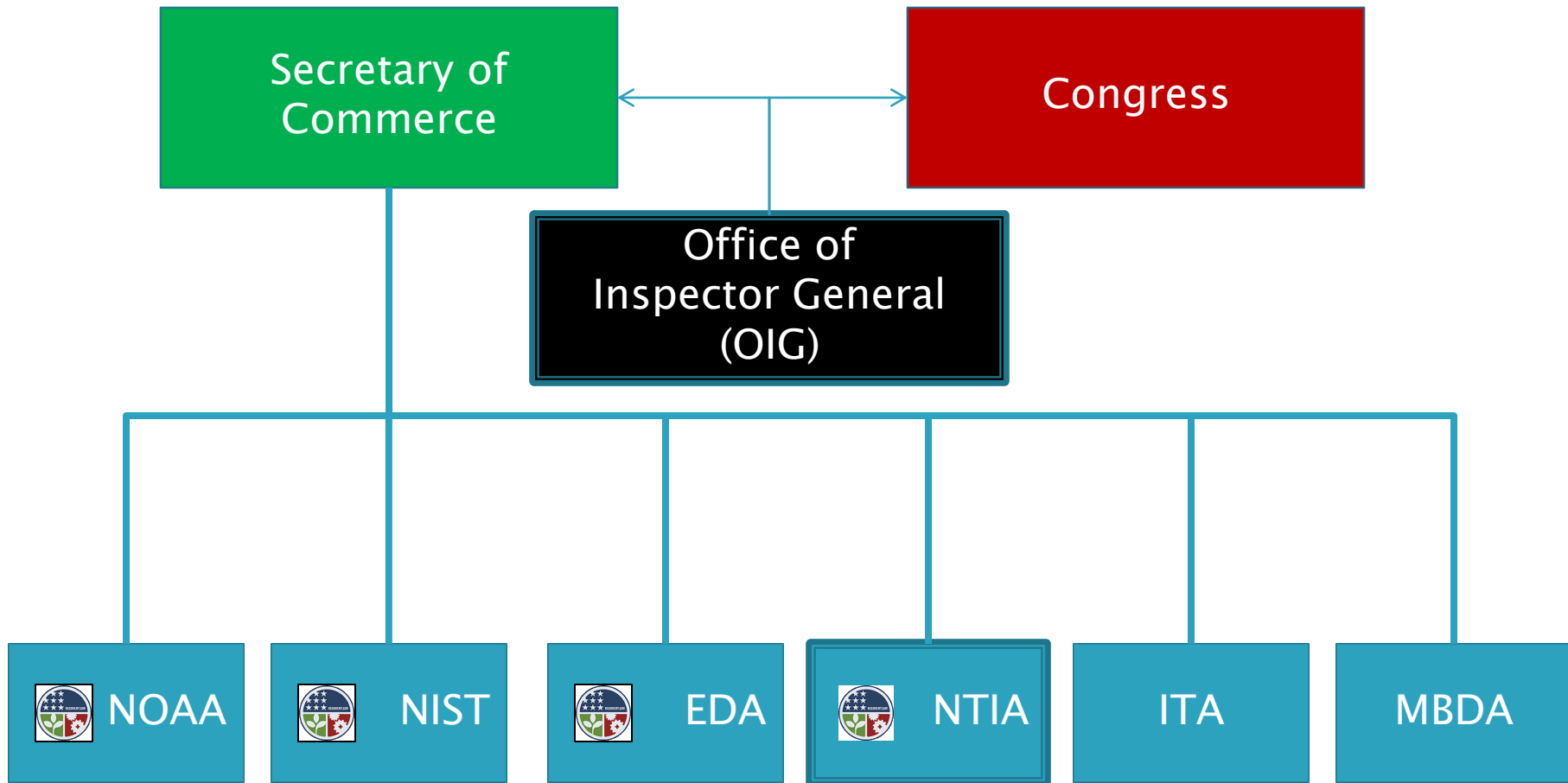# First-time BTOP Grantee Briefing

U.S. Department of Commerce
Office of Inspector General
November 9, 2010

Department of Commerce Grantor Agencies

Types of Audits

- **OIG Audits**
  - Cost and compliance
  - Performance
- **Single Audits**
  - Governmental
  - Tribal
  - Universities
  - Nonprofits
- **Program-specific Audits**
  - For-profit entities

Historical Salary Distribution Finding

- Audit issues with salary distribution
  - Documentation
  - Valuation
- Example: salary distribution issue

A program manager is working an average of 40 hours/week on a federal grant and 20 hours/week on other projects. All of the program manager's salary is being charged to the federal grant. The auditor questions one-third of the salary costs.

Historical Matching Share Issues

- Cash contributions are not matching-share until expended on allowable project costs.
- In-kind contributions are received from 3rd parties, not from the recipient.
  - Allowable value for donated services is *not* fair market value. (15 C.F.R. § 14.23(d)) or (15 C.F.R. § 24.24(c))
- Recipient contributions
  - Allowable value for equipment contributed by recipient cannot exceed book value unless special arrangements made with grants officer.
  - Intra-company transfers at cost or transfer price. (48 C.F.R. § 31.205-26(e))
  - Recipient must record income for contributions received.

Historical Indirect Cost Issues

- No indirect costs in approved budget
  - Commerce standard terms and Conditions limit indirect costs to lesser of budget or "actual." Department of Commerce Standard Terms and Conditions, Sec. A.05.f.
- No approved rate
- Proposed amount not based on costs
- Indirect costs hidden in direct line items
- Transfers of budget between direct and indirect costs

Historical Sub-recipient Issues

- Poor or nonexistent oversight of sub-recipients
- Failure to obtain necessary approvals
- Improper valuation of contributions
    - Recipients cannot make in-kind contributions to themselves (cannot use fair market value)
    - Donated services limited to salary plus benefits (15 C.F.R. § 14.23(e))
    - Discounts are not in-kind contributions
- The *nature* of the relationship determines what it is, not the words in the heading of the agreement

Historical Administrative Systems Issues

- Lack of documentation
  - Failure to document direct labor costs
  - Missing or inadequate vendor invoices
  - Claims based on estimates rather than actual costs
- Excessive or unnecessary advances
- Failure to establish standards and procedures
- Conflicts of interest and related-party transactions

Historical Issues with Program Income

- Recipients often do not understand that program income is *gross* revenue.
- Recipients commonly do not understand that program income is *restricted*.
- Recipients do not accurately report program income.
- Recipients generate program income in excess of what they can spend.

Audits

- OMB Circular A-133 establishes audit requirements for governmental units, tribal entities, colleges and universities, and nonprofits.
  - Must have a comprehensive single audit for any year it expends at least $500,000 in cumulative federal award funds.
- Some programs also establish program-specific audit guidelines.

Audits

▸ An audit is required at least once every two years using the following schedule for audit report

Award Period	Audit requirement
Less than 24 months	• Within 90 days of the project expiration and close out period*.
2- or 3-year awards	• Within 90 days after the end of award year 1and • Within 90 days of the project expiration and close out period*.
Beyond 3 years	• Within 90 days after the end of award year 1, • Within 90 days after the end of award year 3, and • Within 90 days of the project expiration and close out period*.

(Source: NTIA Special Award Condition)
* This audit will include any costs incurred during the close out period

Historical Issues with Outside Audits

- Required audits not performed
- Outside auditors lack experience with Commerce programs and requirements
- Commerce grants often too small to be covered by single audit

Historical Issues with Grants Administration

- We all work for the *Grants Officer*
- Recipients are often unclear about roles
  - More day-to-day contact with Program Officer than Grants Officer
  - "The government" is *the* government
- Program Officers unclear of role and rules
  - Give approvals that exceed authority
    - Pre-award costs
    - Changes in budget
    - Changes in project scope
  - Give incorrect advice

How to Better Ensure Compliance

- ✓ Review financial, administrative, and project management systems.
- ✓ Revisit award requirements frequently during the project.
- ✓ Ensure that all staff understand the project and award requirements and that they communicate fully and frequently throughout the project.

How to Better Ensure Compliance

- ✓ If in doubt, **ask questions** and get answers and approvals **before** acting.
- ✓ Know your agency contacts.
- ✓ **Document, Document, Document**!
- ✓ Attend training such as this.
- ✓ Respond fully and in a timely manner at every opportunity during the audit and resolution process.

Hotline Complaints

There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.

-Ben Franklin

- Credible Complaints
- Significant or Material Issues
- Often Referred to Grants Officer
- OIG Hotline Number
    1-800-424-5197

Questions?