

Federal Audit Overview



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PRESENTATION OUTLINE

01. FEDERAL REGULATIONS AND
UNIFORM GUIDANCE
02. FLOW OF SINGLE AUDIT
(Scope Setting through Reporting)
03. COMPLIANCE REQUIREMENTS
04. AUDIT PROCESS
 - Risk Assessment Through
Fieldwork
 - Sampling
 - Reporting
 - Questioned Costs
05. FINDINGS RESOLUTION

Federal Regulations and Uniform Guidance



United States Government Accountability Office
By the Comptroller General of the
United States

July 2018

GOVERNMENT AUDITING STANDARDS

2018 Revision

GAO-18-568G

2 CFR PART 200, APPENDIX XI COMPLIANCE SUPPLEMENT



July 2021
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

UNIFORM GUIDANCE 2021 EDITION

Uniform Administrative Requirements,
Cost Principles, and Audit Requirements
for Federal Awards

2 C.F.R. pt. 200

Plus select Office of Management and Budget
Regulations for Grants and Agreements



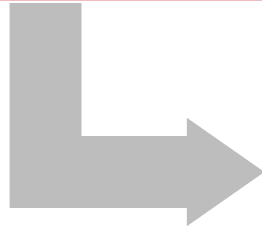
INCLUDES 2020 REVISIONS

IDENTIFY FEDERAL PROGRAMS

A FORMULA DRIVEN PROCESS

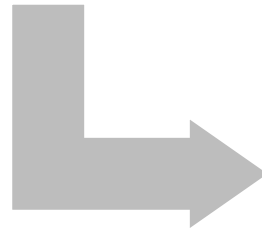
Calculate
Threshold

- Two Years of SEFA Data (biennial state)
- Adjustments for Duplication



Evaluate
Type A Programs

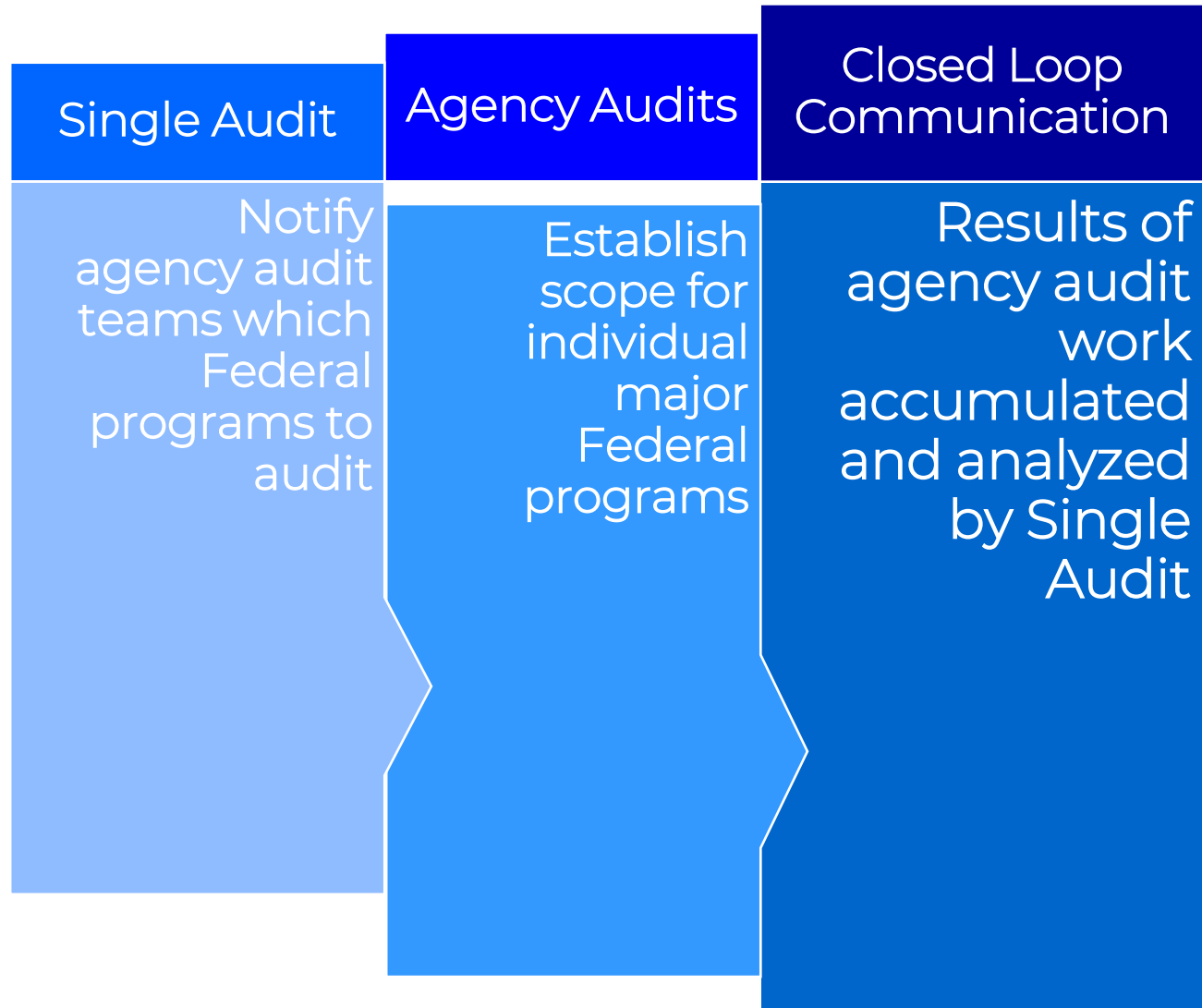
- Consider Timing & Results of Prior SA
- Federal Declaration of High Risk



Identify High Risk
Type B
Program(s)

- Replacements

WORKFLOW



2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT

AGENCY AUDITS: **ESTABLISH SCOPE**

TYPES OF COMPLIANCE REQUIREMENTS	
Activities Allowed or Unallowed	Period of Performance
Allowable Costs/Cost Principles	Procurement, Suspension & Debarment
Cash Management	Program Income
Eligibility	Reporting
Equipment/Real Property Management	Subrecipient Monitoring
Matching, Level of Effort, Earmarking	Special Tests & Provisions

2 CFR PART 200, APPENDIX XI

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AGENCY AUDITS: RISK ASSESSMENT THROUGH FIELDWORK



MUST TEST INTERNAL CONTROLS

- Plan to Achieve LOW Control Risk
- Documentation Must Exist

MUST REPORT EVEN IF NO NONCOMPLIANCE

AGENCY AUDITS: RISK ASSESSMENT THROUGH FIELDWORK



COMPLIANCE TESTS

- Variety of Audit Tests
- Approach Depends on Compliance Requirement

AGENCY AUDITS: FIELDWORK

SAMPLING

<i>Significance of Control and Inherent Risk of Compliance Requirement</i>	
<i>0 deviations expected</i>	<i>Minimum Sample Size</i>
Very significant and higher inherent risk	60
Very significant and limited inherent risk or Moderately significant and higher inherent risk	40
Moderately significant and limited inherent risk	25

- AICPA Audit Guide (March 2019)
 - 11.51 “The size of the population has little or no effect on the determination of sample size, except in relatively small populations of 250 items or fewer.”
 - 11.61 “Generally, samples for control tests are designed to achieve a 90% to 95% confidence level.

AGENCY AUDITS: **FIELDWORK**

SAMPLING TOOL EXAMPLES

Population	Confidence Level	Expected Error Rate	Level of Precision	Sample Size
250,000	90%	5%	5%	52
25,000	90%	5%	5%	52
2,500	90%	5%	5%	51
250	90%	5%	5%	43
250,000	95%	5%	5%	73
250,000	95%	3%	5%	45

AGENCY AUDITS: FIELDWORK

SAMPLING FROM SMALL POPULATIONS

- AICPA Audit Guide (March 2019)
 - 11.89 For populations between 52 and 250 items, **a rule of thumb is to test a sample size of approximately 10% of the population and** is subject to professional judgment including specific engagement risk assessment considerations.

<i>Frequency and Population Size</i>	<i>Sample Size</i>
Quarterly (4)	2
Monthly (12)	2–4
Semimonthly (24)	3–8
Weekly (52)	5–9

SINGLE AUDIT: REPORTING

Report Content 2 CFR 200.516

- Significant Deficiencies and Material Weaknesses in Internal Control
- Material Noncompliance
- Known or Likely Questioned Costs for Major Programs above \$25K
- Known Questioned Costs above \$25K for Non-Major Programs



INTERNAL CONTROLS

Federal (internal control over compliance)	Financial (internal control over financial reporting)
Material Weakness reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis	Material Weakness reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis
Significant Deficiency over compliance with a type of compliance requirement of a federal program that is less severe yet still important to merit attention	Significant Deficiency over financial reporting that is less severe yet still important to merit attention

SINGLE AUDIT: REPORTING



QUESTIONED COSTS

- Determination and Reporting Required
- Ask More Questions
(Isolated / Systemic/ Intentional)
- NOT Required
 - To Project Statistically
 - To Calculate Exact Amount

SINGLE AUDIT: REPORTING

State of Montana
Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2021

Section III – Federal Award Findings and Questioned Costs

Finding 2021-050: U.S. Department of Health and Human Services
ALN # 93.767, Children's Health Insurance Program (CHIP)
Grant # 1905MT5021, 2005MT5021, 2105MT5021

Criteria: Federal regulation, 2 CFR 200.303, requires non-Federal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: The Department of Public Health and Human Services (department) does not review the System and Organization Controls (SOC) report for the CHIP claims processing vendor. It is the department's responsibility to review the SOC report to confirm no additional work is necessary to ensure proper claims processing.

Questioned Costs: None.

Context: The department contracts with an entity for claims processing for provider payments on CHIP claims. The department obtains a SOC report for the contractor which provides assurance over data processing and internal controls. The SOC reports obtained during the audit period did not identify significant issues over the vendor's processing of claims.

Effect: By not reviewing the SOC report, the department risks being unaware of system issues affecting the services it receives from the claims processor. Additionally, the department is at risk of not implementing all of the necessary compensating user entity controls.

Cause: Department staff indicated they do not review the SOC reports for the claims processing vendor as they are not considered part of the standard reporting requirement of its contract with the vendor. However, department staff represented they are very involved with the vendor and receive and review multiple other reports from the vendor that provide assurance as to whether the claims processing system is working properly.

Recommendation: We recommend the Department of Public Health and Human Services review the SOC report for the Children's Health Insurance Program claims processor, and document this review, to ensure there are no issues with the services received from the vendor and to ensure all necessary compensating controls are implemented.

Views of Responsible Officials: The department concurs with this recommendation. For additional information regarding the department's planned corrective action, see Corrective Action Plan starting on page D-1.

Criteria

More specific in SA Report

Context

Provides Perspective for
Prevalence and Consequences
Sampling Details

Recommendation

Language should be the
same

Views of
Responsible
Officials

Generally, more information in
the Agency Blue Cover report

SINGLE AUDIT: FINDINGS RESOLUTION

AUDITOR'S RESPONSIBILITY Report Audit Findings	FEDERAL AWARDING AGENCY Follow-up on Audit Findings
2 CFR 200.516	2 CFR 200.513 & 521
<p>Must Report –</p> <ul style="list-style-type: none">Internal Control Issues<ul style="list-style-type: none">SD and MWMaterial NoncomplianceKnown and Likely Questioned CostsKnown or Likely Fraud <p>Findings Content</p> <ul style="list-style-type: none">Identifying Information, Criteria, Condition, Questioned Costs, Cause, Effect, Recommendation, Views of Responsible Officials	<p>Issue Management Decisions – including</p> <ul style="list-style-type: none">Whether or not the finding is sustainedReasons for the decisionExpected auditee action to repay disallowed costs <p>Monitor for Corrective Action</p>

SINGLE AUDIT & AGENCY AUDIT: QUALITY CONTROL

PEER REVIEW

- Every 3 Years
- Includes Representative from U.S. Department of Health & Human Services



SINGLE AUDIT & AGENCY AUDIT: FINDINGS CROSSWALK

June 2022 LAC Meeting Agency Audit Recommendations with Associated Single Audit Sections			
Agency Audit	Rec #	Impacted Federal Awarding Agency and Brief Finding Description	SA Section #
PHHS #21-14	1	US Dept of Health and Human Services (HHS) - Medicaid & CHIP	2021-046
PHHS #21-14	2	US Dept of HHS - CHIP Aged Out	2021-048
PHHS #21-14	3	US Dept of HHS - Medicaid & CHIP Renewals	2021-047
PHHS #21-14	4	US Department of Treasury - CRF Subrecipient Disclosures	2021-011
PHHS #21-14	4	US Dept of HHS - Foster Care Subrecipient Disclosures	2021-051
PHHS #21-14	4	US Dept of HHS - ELC Subrecipient Disclosures	2021-052
PHHS #21-14	4	US Dept of HHS - TANF Subrecipient Disclosures	2021-053
PHHS #21-14	5	US Dept of HHS - ELC Subrecipient Risk and Monitoring	2021-054
PHHS #21-14	6	US Dept of HHS - CCDF Contract Documentation	2021-060
PHHS #21-14	7	US Dept of HHS - ELC Subrecipient vs Contractor	2021-055
PHHS #21-14	8	US Dept of HHS - Foster Care Subrecipient Monitoring	2021-061
PHHS #21-14	8	US Dept of HHS - ELC Payment Support Allowable Costs	2021-062
PHHS #21-14	9	US Dept of Treasury - CRF Duplicate Payments	2021-012

QUESTIONS?

