SINGLE AUDITS
Presentation Outline

- Audit Requirements
- Standards for Tribal Management Systems
- Best Practices for Tribal Accounting
- Advanced Federal Funds
- Common Audit Findings
- Corrective Action Plans
- Finding Resolution and Closure
Audit Requirements
Audit Requirements

- P.L. 93-638, as amended - Indian Self-Determination and Education Assistance Act
- 25 CFR 900 - Contracts under the Indian Self-Determination and Education Assistance Act
- 43 CFR Part 12 - Administrative and Audit Requirements and Cost Principles for Department of the Interior Programs
Audit Requirements

- OMB Circular A-133 - Audits of State, Local Governments, and Non-Profit Organizations

New Uniform Guidance Effective December 26, 2014

- 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
Audit Requirements

Tribal entities that expend over $500,000 in total Federal awards in a fiscal year are required to submit a Single Audit reporting package to Indian Affairs and the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the audit report or 9 months after the end of the fiscal year.

The $500,000 threshold will be raised to $750,000 for Tribal fiscal years beginning after December 26, 2014 under 2 CFR 200.
## Audit Requirements

<table>
<thead>
<tr>
<th>Tribal Fiscal Year</th>
<th>Audit Delinquent After</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2014 – 12/31/2014</td>
<td>9/30/2015</td>
</tr>
<tr>
<td>10/1/2014 – 9/30/2015</td>
<td>6/30/2016</td>
</tr>
</tbody>
</table>
Sanctions for not Submitting Single Audit Report
Sanction Levels

**Level 1**

Tribe is limited to monthly advance payments of all contract funds, including contract support funds.

**Level 2**

If the Tribe fails to file all of its required reports by the close of its following fiscal year, the awarding official will continue monthly advance payments of all contract funds but will withhold all contract support payments until the Tribe is current with its single audit report submissions.

**Level 3**

If the Tribe fails to submit its required reports by the end of the year in which Level 2 sanctions were imposed, the awarding official will initiate non-emergency re-assumption of the contracted programs.
Standards for Tribal Management Systems
Standards for Tribal Management Systems

Authority: 25 CFR 900 (F)

- When carrying out self-determination contracts, the Indian tribes or tribal organizations shall develop and maintain systems that meet these minimum standards for management Sec. 900-35, 900-36

- These systems are evaluated by an independent auditor through the annual Single Audit Sec. 900-40(b)
Standards for Tribal Management Systems

Authority: P.L. 93-638 Sec. 900.45; 25 CFR 900.35; 43 CFR 12.60

The minimum standards set for the Indian tribes or tribal organizations are:

- Financial Reporting – Accurate and Complete
- Accounting Records – Adequately Maintained
- Internal Controls – Accountability and Safeguarding of Assets
- Budget Controls – Expenditures compared to Budget
- Allowable Costs – OMB Cost Principles
- Source Documentation – Invoices, Payroll Records
- Cash Management – Accounting for Advances and Disbursements
Best Practices for Tribal Accounting
Best Practices for Tribal Accounting

- Use an appropriate accounting system and ensure that staff are well trained in its operation

- Follow standards issued by the Governmental Accounting Standards Board in GASB 34

- Identify and account for Federal awards

- Maintain internal controls over Federal awards
Best Practices for Tribal Accounting

- Comply with requirements relating to awards
- Maintain source documents for every charge made to Federal awards
- Submit required Federal financial and narrative reports
- Prepare required financial statements
Best Practices for Tribal Accounting

- Ensure that advanced Federal funds are used only for their intended program and are not loaned (even temporarily) to another program

- Ensure that advanced Federal funds are properly insured or collateralized
Advanced Federal Funds
Advanced Federal Funds

Authority: 25 CFR Sec 450e-3; P.L. 93-638

It is Indian Affairs’ policy to ensure that Federal funds are properly safeguarded and are used only for the authorized purposes as described in the award agreement.
What is Deferred Revenue?

Accounting Definition: Receipts of cash for which asset recognition criteria have been met (cash received and deposited in the bank), but for which revenue criteria have not been met (expenditures not completed).

Example: Tribe received BIA cash in advance for a contract, but has not incurred the expenditures for which the money was intended.
Deferred Revenue and Cash

The balance sheet should always show cash and cash equivalents equal to or exceeding the deferred revenue liability.

If the advanced Federal funds (deferred revenue) are invested, it must be in short-term investments so that it is available to cover the expenses of the programs.
# Deferred Revenue and Cash

## Tribal Balance Sheet – Special Revenue Fund

### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$500,000</td>
</tr>
<tr>
<td>Investments</td>
<td>200,000</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$710,000</strong></td>
</tr>
</tbody>
</table>

### Liabilities and Fund Balance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$20,000</td>
</tr>
<tr>
<td><strong>Deferred Revenue</strong></td>
<td><strong>400,000</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$420,000</strong></td>
</tr>
<tr>
<td>Unassigned Fund Balance</td>
<td>290,000</td>
</tr>
<tr>
<td><strong>Total Liabilities and Fund Balance</strong></td>
<td><strong>$710,000</strong></td>
</tr>
</tbody>
</table>
Investment of Advanced Federal Funds

- Invest the funds in “obligations of the United States” or those guaranteed by the U.S.

- Invest in registered mutual funds that invest exclusively in the same types of securities;

- Deposit the funds in an insured account (e.g., the FDIC);

- Deposit the funds in a fully collateralized account.
Example of footnote from an actual audit:

Note 2 - Cash
At December 31, 2013, the carrying amount of the Tribe’s deposits was $500,000 and the balance per bank statements was $620,000 of which $250,000 was covered by FDIC insurance and the remainder was uninsured and uncollateralized.

How can we tell from this footnote whether the Tribe was in compliance with Indian Affairs’ policy? It depends on the amount of deferred revenue.
Example of footnote from an actual audit:

Note 2 - Cash
At December 31, 2013, the bank balance of the Tribe’s deposits was $1,250,000 of which $250,000 was covered by FDIC insurance and $1,000,000 was covered by the Securities Investor Protection Corporation (SIPC).

The Tribe’s deferred revenue totaled $1,250,000. Is this compliance?
The Tribe is not in full compliance.

The SIPC is not a government agency. It was established by the securities industry. Investors can recover losses only in limited cases.
Use of Advanced Federal Funds

Advanced funds can be used only for the Federal programs covered by the contracts and annual funding agreements.

Funds cannot be used for tribal programs not authorized by the Indian Self Determination and Education Assistance Act.
Use of Advanced Federal Funds

A use of cash provided by Indian Affairs for any purpose other than to pay costs for programs included in an Indian Affairs’ funding agreement will be a misapplication of funds and a potential disallowed cost which must be repaid.
Audit Quality
Factors to Consider when Hiring an Audit Firm to Conduct the Single Audit

Demonstration of qualifications:

- Availability of staff with appropriate technical abilities
- The extent of the firm's experience with Tribal organizations and Federal grants and contracts
- Results of the external peer review
- Results of Federal agencies' quality control reviews
- Participation in quality improvement programs such as the AICPA's Governmental Audit Quality Center
Common Audit Findings
Common Audit Findings

- Failure to submit Single Audit report on time
- No documentation for expenditures charged to Federal awards
- No documentation to support eligibility requirements
- Improper accounting of payroll costs charged to Federal awards
- Not filing or late filing of quarterly expense reports (SF 425) and annual narrative reports
Common Audit Findings

- Procurement policy not followed
- Property management
- Insufficient cash available to cover deferred revenue
- Inadequate segregation of duties
- Character investigations not being performed
Corrective Action Plans
Corrective Action Plans

- Need to address the finding

- Corrective action planned will resolve the finding and will prevent the finding from being repeated

- Estimated completion date of the corrective action

- Name of person responsible for the implementation of the corrective action plan
Finding Resolution and Closure
Finding Resolution

The awarding official makes a determination that the corrective action plan adequately addresses the finding and the implementation of the corrective action plan will prevent the finding from being repeated.

If questioned costs are involved, the awarding official has made a management decision to allow or disallow those costs.

Finding resolution is communicated to the Tribal entity through a Findings and Determination letter. Appeal rights are included with the Findings and Determination.

If there are disallowed costs the awarding official will notify the Interior Business Center to issue a bill of collection to the Tribal entity.
Audit Closure

The audit is considered closed when the awarding official determines that the corrective action plan for all Federal award findings is sufficient and any identified questioned costs are allowable.

If there are disallowed costs, the audit will not be closed until those costs are collected.
Contact Information
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Phone: 916-566-711    Fax: 916-566-7110
Civilian Board of Contract Appeals

www.cbca.gsa.gov

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On behalf of the Office of Internal Evaluation and Assessment, Assistant Secretary, Indian Affairs, we thank you for your interest and participation.

Safe travels!