

# State TANF A-133 Audits

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# What is an A-133 Audit?

- Prescribed in OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)  
*[http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133\\_revised\\_2007.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf)*
- Single Audit Act of 1984 and Single Audit Act Amendments of 1996 mandate audit requirements for State and Local Governments and Non-Profit Organizations
- Major control over the propriety of expenditures under grants and cooperative agreements
- Tests for eligibility, allowable activities and allowable costs



# Who is Audited?

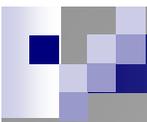
- **Entities expending \$500,000 or more in Federal funds in a year**
- **Non-Federal entities that expend less than \$500,000 are exempt however records must be available for review**
- **Performed on an annual basis**



# Audit Costs & Sanctions

- **Costs of audits required by the Federal Government are allowable costs (A-133, Section 230)**
  
- **Delinquent Grantees HAVE NOT conducted or provided an annual audit to the Federal Audit Clearinghouse**
  
- **Sanctions Include:**
  - Withholding a percentage of Federal funds until the audit is completed
  - Withholding or disallowing overhead costs
  - Suspending Federal funds
  - Converting the Grantee to reimbursement method of payment
  - Withholding further grant payments
  - Termination of the Grant Award

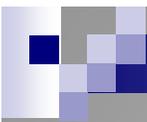




# Auditor Reviews

- **Internal Controls**
- **Known questioned costs greater than \$10,000 for a program**
- **Known Fraud affecting a Federal award**
- **Prior Findings**





# OMB A-133 Compliance Supplement

- **Compliance Supplements**

- Updated/Published in March 2011

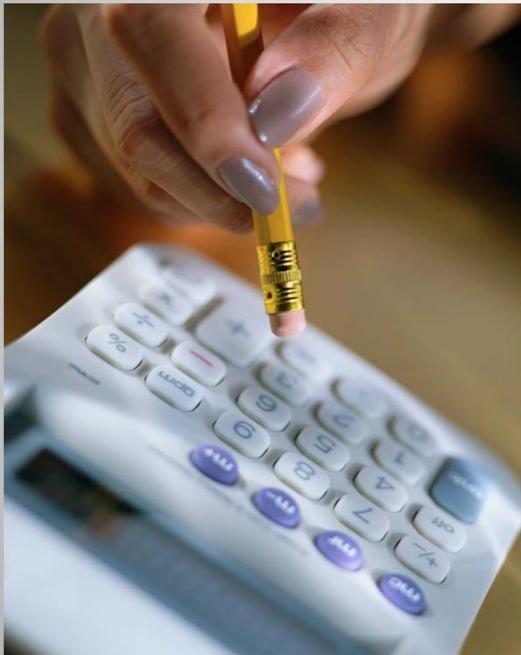
- [http://www.whitehouse.gov/sites/default/files/omb/circulars/a133\\_compliance/2011/hhs.pdf](http://www.whitehouse.gov/sites/default/files/omb/circulars/a133_compliance/2011/hhs.pdf)

- **Program specific audit guides provide auditors with specific guidance**

- **TANF Cluster Supplement**



# Three Ways to Prepare for Audit



# Wrong Way!



# Escape Route!



# Right Way.....



# Preparing with Confidence



- Document Policies and Procedures
- Maintain and Retain Documentation for the Audit



# Preparing with Confidence



- Know the Audit Review Process



# Preparing with Confidence

- Answer Auditor Questions Directly
- Open Communication
- Program and Financial Staff work collaboratively to obtain best results



# Preparing with Confidence

- Don't wait until the last minute to be ready



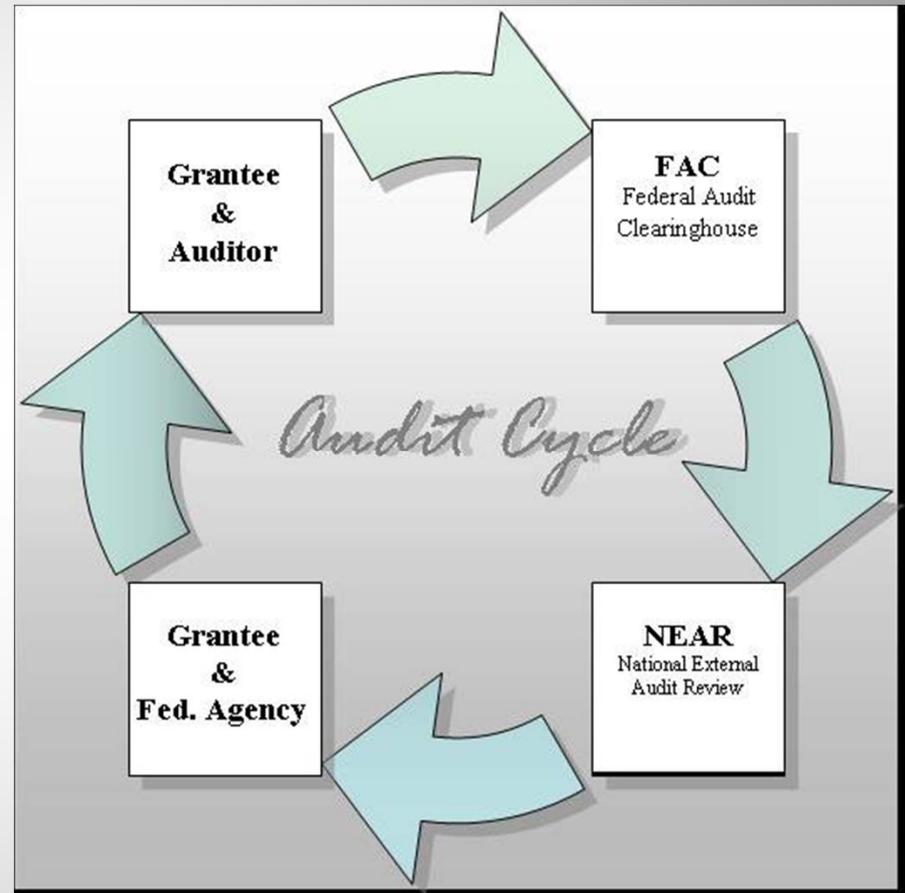
# Preparing with Confidence

- Do you know the Terms and Conditions of the Award?
- Are expenditures, allowable, reasonable and allocable?
- Are required Financial and Program Reports submitted accurately? Timely?



# Audit Steps

- Auditors provide an Audit Package to the Federal Audit Clearinghouse (FAC) within 9 months after the end of the Grantees Year End
- FAC checks Audit Package for completeness, assigns a unique Common Identifier Number and submits the audit to the National External Audit Review (NEAR)
- NEAR performs initial review of findings, recommends action on findings, sends an initial letter to the grantee and assigns the findings out to the appropriate Federal Agency



# ACF Responsibilities

- **Office of Grants works with Program Staff and Office of Family Assistance to determine if TANF Penalty Process should be pursued or if audit will be resolved without penalty**
  
- **Yes, Penalty Assessed**
  - Sustained Audit Findings with questioned costs of \$10,000 or more
  - Repeat Findings regardless of questioned costs
  - Office of Family Assistance will prepare Penalty Letter
  
- **No, Penalty Assessed**
  - Un-sustained Audit Findings
  - Audit findings will go through Audit Resolution Process
  
- **Audit Resolution**
  - Office of Grants works with Program, Grantee & Auditor to understand finding
  - Concur v. Non-Concur
  - Determine if corrective action exists to resolve
  - Audit Resolution Letter from ACF to the Grantee
  - Work to prevent repeat findings



# Penalties

- TANF program not subject to disallowances or deferrals
- TANF program is subject to penalties as enumerated in 45 CFR 262.1
- Some penalties are a percentage of the TANF grant (adjusted SFAG) and some are dollar-for-dollar reductions
- All penalties added together cannot exceed 25% of TANF grant in a quarter. Any remaining penalty is applied to subsequent periods.

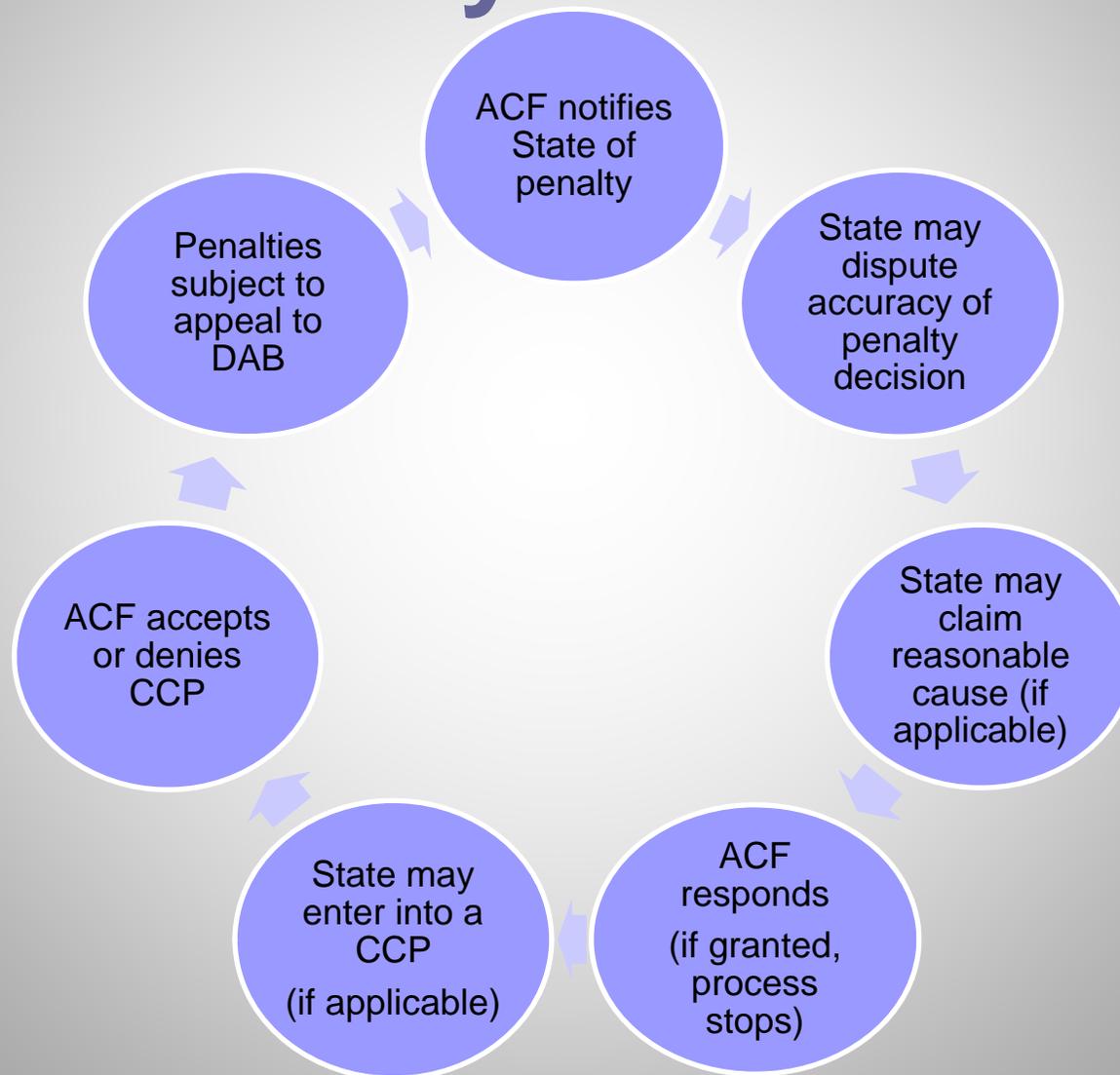


# State Penalty Resolution

- Dispute penalty
- Request reasonable cause
- Submit Corrective Compliance Plan
- Appeal to Departmental Appeals Board
- Pay penalty



# Penalty Process



# TANF Penalty vs. Audit Resolution

Finding	Recommendation	Resolution
Grantee was not able to support its expenditures because it has not retained financial or programmatic records or supporting documentation.	Recommend Procedures be strengthened to ensure expenditures are supported by adequate documentation. Questioned costs of \$65,000.	If this finding is sustained, it will go through the penalty process as a penalty for misuse of funds.
Same finding as above.	Same as above except questioned costs of \$4,000.	<b>Initial Finding:</b> Grantee will be required to submit a corrective action plan to address the problems but no penalty action <b>Repeat Finding:</b> ACF may access a penalty



# Grantee Responsibilities

- **Understand Award Terms & Conditions**
- **Submit required Federal Reports in an accurate and timely manner**
- **Ensure required audits are performed and submitted within required timeframe**
- **Follow-up/Take Corrective Action on findings**
  - **Respond in writing to NEAR Letter (copy to RO)**
  - **Written response should include**
    - **Concur or Non-Concur**
    - **Any comments that may support your position on finding**
    - **Corrective Action Planned or Taken**



# Common TANF Audit Findings

<b>Finding</b>	<b>Recommendation</b>
The auditors were unable to determine if the State properly reduced or terminated various participants' TANF assistance as required under the program.	Recommend that procedures be strengthened to ensure electronic reports are properly retained.
The auditors were unable to determine the services provided and the accuracy of the data collected and reported.	Recommend that procedures be strengthened to ensure federal reports are accurate and supported by adequate documentation.



# Common TANF Audit Findings

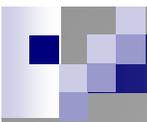
Finding	Recommendation
State does not have adequate policies to ensure the correct calculation and recovery of overpayment funds.	Recommend that procedures be strengthened to ensure overpayments are properly calculated and recovered.
State does not have adequate policies to ensure case closure information is verified.	Recommend that procedures be strengthened to ensure information is verified prior to case closure.



# Common TANF Audit Findings

Finding	Recommendation
State does not have adequate controls to ensure that TANF benefits are only paid to eligible participants	Recommend that procedures be strengthened to ensure payments are only made on behalf of eligible participants.
State was unable to determine the existence of material noncompliance or internal control issues with sub-recipients that may be identified through the monitoring process.	Recommend policies and procedures be strengthened to ensure sub-recipients are adequately monitored





# Building Confidence

- **Work to eliminate repeat audit findings**
- **Understand the Audit Finding**
- **Maintain close contact with your ACF Regional Office for Program and Financial**
- **Be timely in submitting your written response to the NEAR Letter – Include a copy to your Region Grants Management Contact**
- **Corrective Action should include expected timeline, procedures in development, training planned, staffing changes, etc.**

