Financial Policy

Volume X

Grants Management

Chapter 7

Grants: Audit Use and Resolution

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0701 Overview

This chapter establishes Department of Veterans Affairs (VA) policy regarding the Grants Program Office (GPO) policies and procedures that apply to securing and using audit reports in the award and administration of grants and applies to all VA grant programs and awards.

Key points covered in this chapter include:

- The audit required by 2 C.F.R. § 200 Subpart F - Audit Requirements (Single Audit Act), (as implemented for VA programs in 38 C.F.R. Part 49) constitutes a valuable source of information for VA GPO staff.
- Securing and using audit reports in the award and administration of grants include both grantee-initiated audits under 2 C.F.R. 200 Subpart F - Audit Requirements pursuant to the Single Audit Act, and GPO-commissioned audits of a grant or grantee carried out by or on the behalf of the Office of the Inspector General (OIG) or other entity, such as the Office of Business Oversight (OBO).

0702 Revisions

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<td>Various</td>
<td>Reformatted to new policy format.</td>
<td>OFP (047G)</td>
<td>Reorganized chapter layout</td>
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<td>0704 Roles and Responsibilities</td>
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<td>Improve flow and order of information stated</td>
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<td>0705 Policies</td>
<td>Updated policy statements</td>
<td>OFP (047G)</td>
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0703 Definitions

**Audit Resolution** - A final decision that has been made on the amount of monetary recovery and/or required systemic or management corrections.

**Grantee** - A Non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program.
0704 Roles and Responsibilities

The Head of the Grants Program Office (GPO) will designate an appropriate official to serve as the audit resolution official.

The Grants Program Office (GPO) is the organization reporting to the approving official that is responsible for programmatic administration of a grant, if awarded.

The GPO staff are responsible for reviewing all relevant Single Audit Data Collection Forms and/or audit reports and for using the information appropriately in making funding and other decisions or recommendations related to a current or potential grant. They are also responsible for determining if there are any debts related to unallowable costs and following GPO processes in conformance with this chapter and VA Financial Policy, Volume XII, Chapter 5 – Vendor Debts to recover funds.

The Office of Business Oversight (OBO) conducts reviews and performs special projects designed to evaluate and improve Department Grant Management Operations.

0705 Policies

070501 Audit Use and Resolution

A. VA will require that entities expending $750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year, in compliance with 2 C.F.R. §200.501. The audit must be conducted in accordance with 2 C.F.R. §200.514, Scope of Audit, except when the entity elects to have a program-specific audit conducted. A program that does not meet the requirements to have a financial statement audit, the auditee may elect to have a program-specific audit conducted in accordance with 2 C.F.R. §200.507, Program-Specific Audits.

B. A GPO may request that the OIG conduct an audit of an entity not meeting the Subpart F – Audit Requirements of 2 C.F.R. §200, during the project period or within a reasonable time after the end of the project period, if the GPO believes an audit is justified or warranted. A GPO may also use another entity, such as the OBO, to conduct reviews that evaluate grantee compliance with specific grant requirements.

C. The GPOs must ensure that the terms and conditions of the award specify audit requirements and the consequences of not submitting required audit reports in a timely manner.

D. The GPOs must work closely with other VA offices that have responsibilities related to audits, including the OIG or OBO.
E. The GPOs will work with individual grantees to resolve audit findings upon transmission (issuance) of an audit report by the OIG or notification from the OIG for findings related to grants under their management. Additionally, GPOs will work with individual grantees to resolve findings from any other grant review initiated by the GPO. Collection of any monetary disallowances, which are debts subject to the claims collection regulation at 2 C.F.R. §200.345 must be collected within 90 calendar days in accordance with 2 C.F.R. §200.345.

F. The GPOs will adequately document the basis for the determination of a cost disallowance in the event a grantee appeals.

1. Determinations of cost allowability and deficiencies in management systems resulting from audit findings must be based on the applicable statute(s), regulations, cost principles, and other terms and conditions of the award.

2. Process deficiencies, e.g., the grantee did not obtain required prior approval for an otherwise allowable expenditure, should not be the sole basis for disallowing a cost (see VA Financial Policy Volume X, Chapter V, Grant Post-Award).

G. The GPO personnel with appropriate authority will take any actions to modify a grant award(s) if necessitated by audit resolution.

070502 Use of Audit Reports in the Grants Management Process

A. The GPOs will use the most current Single Audit Data Collection Form or audit report (if there are relevant findings) when making pre-award decisions and as part of post-award monitoring. Based on review of the audit report, a GPO may decide not to make an award, make the award using special conditions after designating the organization as “high risk,” and/or take other appropriate action, e.g., an enforcement action (see Financial Policy Volume X, Chapter 5, Grants Post-Award).

B. The GPO will consult the Federal Audit Clearinghouse (FAC) website Federal Audit Clearinghouse to determine if a single audit report has been submitted and whether it contains findings. The FAC is the designated receipt point in the Federal government for single audit reports.

1. The GPO shall contact the OIG to determine whether they or another GPO/office has audit resolution responsibility when an audit report or Single Audit Data Collection Form at the FAC identifies findings on a VA grant relevant to a GPO’s grant programs.

2. The GPO shall contact the cognizant GPO to determine whether any findings would adversely affect the GPO’s pending or ongoing award(s) and, if so, take appropriate action to protect the Federal government’s interests.
C. The GPO shall remind recipients—at the time of award or within a reasonable period after award, of its audit responsibilities and potential consequences of non-compliance. This is especially critical if a GPO makes an award without the ability to determine prior to award whether a single audit was required, or a required audit report was submitted to the FAC.

D. The GPO will consult with OIG to determine who is responsible for actions to obtain a required audit report if based on its own knowledge, or following consultation with OIG, a GPO determines that the report is delinquent.

E. The GPO may use the range of enforcement actions available under VA Financial Policy Volume X, Chapter 5 - Grants Post-Award, and may take action at any time to designate a recipient as high risk, if the GPO is deemed responsible for obtaining a delinquent audit report. The GPO may request OBO perform special reviews of high-risk grantees.

070503 Audit Resolution and Follow Up

A. The Director or Chief of the program is responsible for tracking the findings of the audit unless the GPO designates another individual in writing.

B. The GPO will resolve programmatic issues that do not have a monetary value.

C. The head of the GPO is responsible for tracking any proposed resolution of an audit exception. Authority to accept compromise on any amount is outlined in VA Financial Policy Volume XII.

D. The head of the GPO must sign the letter advising the grantee of an audit disallowance or other findings requiring corrective action.

1. The letter constitutes the final decision of the GPO and may be appealed by the recipient under VA Financial Policy Volume XII, Debt Management and 2 C.F.R. §200.341 or other applicable appeals procedures.

2. The letter should be coordinated with the cognizant GPO and, as appropriate, with the appropriate Office of the General Counsel.

E. The GPOs have continuing responsibility for follow-up activities to collect monies as outlined in 38 C.F.R. Parts 1.910 - 1.929, following audit resolution. If monies are due to the GPO and, for management deficiencies, the GPO needs to ensure that recipients take appropriate corrective action on sustained audit findings. These actions may include placing the recipient on the high-risk list. This responsibility continues even if the audit report covers an award(s) that expired or was terminated prior to receipt of the audit or completion of corrective action.
0706 Authority and References

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

2 C.F.R. §200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

2 C.F.R. §200.345 Collection of Amounts Due

Federal Audit Clearinghouse

2 C.F.R. §200.341 Opportunities to Object, Hearings, and Appeals.

38 C.F.R. 1.910-1.929 Standards for the Collection of Claims

0707 Rescissions

OFP Volume X, Chapter 7, Grant Audit Use and Resolution, May 2016.

0708 Questions

Questions concerning these policies and procedures should be directed as shown below:

OFP OFP Accounting Policy (Outlook)