

13. AUDITS

A. Audit Requirements. OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” implements the Single Audit Act Amendments of 1996, establishing uniform audit requirements for non-Federal entities that administer Federal awards. To the extent that audits performed in accordance with OMB Circular A-133 meet DOC needs, DOC shall rely upon and use such audits. In accordance with 15 CFR 14.26 (c) and (d), for-profit hospitals, commercial, and other organizations not covered by the audit provisions of OMB Circular A-133 shall be subject to the audit requirements as stipulated in the award or sub-award document. State, local government, and non-profit recipients that expend less than \$300,000 annually in Federal awards are exempt from Federal audit requirements but must follow the guidance in OMB Circular A-133 § 200 (d), unless a program-specific audit is required by a special award condition and funded by the award.

1. Organization-Wide Audits. Organization-wide audits shall be performed in accordance with the Single Audit Act Amendments of 1996, as implemented by OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” Recipients that are subject to OMB Circular A-133 and that expend \$300,000 or more annually in Federal awards shall have an organization-wide audit performed in accordance with OMB Circular A-133 § 500 except when they qualify and elect to have a program-specific audit performed in accordance with OMB Circular A-133 § 235. Organization-wide audits will generally be conducted annually.

2. Program-Specific Audits. Program-specific audits are allowable under OMB Circular A-133 in certain circumstances in lieu of the organization-wide audit. Recipients expending \$300,000 or more in a year under only one Federal program under which the statutes, regulations, or terms of the award do not require a financial statement audit, may elect to have a program-specific audit conducted in accordance with OMB Circular A-133 § 235. A program-specific audit may not be conducted for research and development unless all of the Federal awards expended were received from the same operating unit, or the same operating unit and the same pass-through entity, and the Grants Officer or appropriate representative of the pass-through entity in the case of a subrecipient, approves in advance a program-specific audit. Program-specific audits will be conducted annually.

3. Submission of Audit Report and Data Collection Form.

a. Recipients having audits conducted in accordance with OMB Circular A-133 shall submit to the Federal Audit Clearinghouse:

- (1) the data collection form prescribed by OMB Circular A-133, § 320(b);
- (2) One copy of the audit report for the Clearinghouse to retain as an archival copy;
and

(c) One copy of the audit report for each Federal awarding agency, when the Schedule of Findings and Questioned Costs discloses audit findings related to Federal awards that the Federal agency provided directly, or the Schedule of Prior Audit Findings reported the status of an audit finding related to a Federal award that a Federal agency provided directly.

b. The address for the Federal Audit Clearinghouse is:

Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, Indiana 47132

B. Other Audits. An audit of an award may be conducted at any time as indicated in the DOC ST&Cs. The following is a list of other audits that may be required by DOC.

1. **Audits of Commercial Organizations, Sole Proprietors, and Individuals.** A for-profit organization, sole proprietor, or individual receiving a DOC award exceeding \$100,000 in Federal funding must have a program-specific audit performed. The DOC award must include a line item in the budget for the cost of the audit. If DOC does not have a program-specific audit guide available for the program, the auditor should follow generally accepted government auditing standards and the requirements for a program-specific audit as described in OMB Circular A-133 § 235. A copy of the program-specific audit shall be submitted to the Grants Officer and to the DOC OIG at the following address:

Office of Inspector General
U. S. Department of Commerce
Atlanta Regional Office of Audits
401 West Peachtree Street, N.W., Suite 2742
Atlanta, Georgia 30308

2. **Audit Conducted by the OIG.** When an audit is conducted by the OIG, the OIG will usually make the arrangements for the audit, whether the audit is performed by the OIG personnel, an independent accountant under contract with DOC, or any other Federal, state, or local audit entity.

3. **Audit Required by the Award.** When an audit is required under a special award condition, the recipient will usually make the arrangements for the audit. The audit shall be performed in accordance with a program-specific audit guide, if one is available for that program, or generally accepted government audit standards and the requirements for a program-specific audit as described in OMB Circular A-133 § 235. The recipient shall submit copies of program-specific audits in accordance with the guidance in the program-specific audit guide. If no guide is available, a copy of the audit shall be submitted to the

Grants Officer at the address specified in the award document and to the DOC OIG at the following address:

Office of Inspector General
U. S. Department of Commerce
Atlanta Regional Office of Audits
401 West Peachtree Street, N.W., Suite 2742
Atlanta, Georgia 30308

C. OIG Access to Recipient Records. Under the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3, § 1 et seq., an audit of the award may be conducted at any time. The Inspector General of the DOC, or any of his or her duly authorized representatives, shall have access to any pertinent books, documents, papers and records of the recipient, whether written, printed, recorded, produced or reproduced by any mechanical, magnetic or other process or medium, in order to make audits, inspections, excerpts, transcripts or other examinations as authorized by law.

D. Audit Resolution.

1. In accordance with DAO 213-5, Department and operating unit personnel shall act promptly to resolve both the financial and nonfinancial issues raised in an audit report. Comments, arguments, and evidence (if any) submitted by the auditee and the operating unit shall be considered in resolving these issues. A DOC decision on the resolution of audit findings and recommendations will be made within 180 days of the issuance of an OIG audit report or OIG transmittal letter including findings and questioned costs reported by an independent accountant in accordance with the procedures and within the specified timeframes identified in DAO 213-5.
2. The audit action official (as defined in DAO 213-5) shall issue the Audit Resolution Determination. The Audit Resolution Determination will be maintained in the official grant file and a copy will be forwarded to the Program Officer.
3. Recipients are responsible for the collection of audit-related debts from their subrecipients where an audit has determined funds are owed. This does not relieve the recipient of liability for the debt.
4. All disputes arising from audit resolution shall be decided in accordance with the appeal procedures and specified time frames outlined in DAO 213-5, and DOC's "Policies and Procedures for Resolution of Audit-Related Debts," as published in the *Federal Register* on January 27, 1989 (54 FR 4063). The appeal procedure is the last opportunity for auditees to provide evidence to support their contentions. The DOC will not accept any submission from a recipient regarding an appeal after the established deadline, unless requested by the Grants Officer, the OIG, or the OGC. After the Department renders a decision on an appeal, there are no other administrative appeals available within DOC.

5. An audit of the award may result in the disallowance of costs incurred by the recipient and the establishment of a debt (account receivable) due DOC.

E. Audit Implementation. Audit follow-up and implementation shall be conducted in accordance with the requirements of OMB Circular A-50, “Audit Follow-up” and the Inspector General Act Amendments of 1988 as implemented for the Department by DAO 213-5.