

Improper Payments EO Single Audit Workgroup

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Terry Ramsey

EO No. 13520 Goals

- Reducing improper payments by boosting transparency.
- Holding agencies accountable for reducing improper payments.
- Examining creation of incentives for states to reduce improper payments.
- Increasing penalties for contractors who fail to disclose improper payments.

Eight Workgroups

1. Guidance
2. Access
3. Publishing Website
4. Internal Controls
5. Improve Information Sharing
6. Enhance Contractor Accountability
7. Single Audit
8. Incentives & Accountability

SA Workgroup Membership

- Federal
 - OMB
 - OIG
 - Program Management
 - Audit Follow-up
- State
 - NSAA
 - State auditors

Business Question

How can the effectiveness of the single audit process (SA) be improved and measured; and, how can the Single Audit and the Improper Payments Information Act process (IPIA) be coordinated, where appropriate, to enhance Federal program accountability?

Issue Areas

1. Examining the Single Audit & IPIA
2. Streamlining and Enhancing the Single Audit to Identify and Assist in Reducing Improper Payments
3. Improving Usefulness of the Single Audit for Reducing Improper Payments and Improving Program Accountability

Purpose of Single Audit is not to measure improper payments

- SA selection of major programs is non-Federal Entity dependent
- SA test period is based upon entity FY and NFE FY vary
- SA sample size chosen to answer Yes/No question of compliance vs estimate of error rate and amount
- Purpose of audit is an attest function based upon management representations, not to obtain original data and determine an estimate

Single Audit Assists in Reducing Improper Payments

- Base level of accountability and transparency
- Identify I/C weaknesses & non-compliance
- Follow-up on corrective action for findings
- Starting point for assessing risk area for IP
- Enhances control environment through discipline of audit process

Recommendations (Preliminary)

- Instilling Federal Leadership
- Managing Risks
- Using Single Audit Reports Effectively
- Amending the Single Audit Objectives

Instill Federal Leadership (Preliminary)

1. Agency head designate an accountable official for SA
2. Improve management SA coordination between agencies
3. Study division of agency SA leadership between management and OIG
4. Add agency management contacts to the Supplement

Managing Risks (Preliminary)

5. Increase focus on top 150 NFE
6. Tiered audit threshold
7. Refocus SA compliance testing on types of compliance requirements most likely to result in IP
8. Shorten the SA cycle
9. Establish central process to ensure that all SA are filed with FAC

6. Tiered Audit Threshold 2008 Data for Entities Reporting to FAC

Range	% \$	# Entity	% Entity
\$2 Million & Below	2.0%	19,388	52%
\$5 Million & Below	4.8%	28,587	76%
\$10 Million & Below	7.7%	32,928	88%

6. Tiered Audit Threshold

- First tier – e.g., \$500,000 to 2 million
 - YB audit
 - SEFA
- Second tier – e.g., \$2 million and above
 - Regular SA

7. Refocus SA Compliance Testing

- A/B Allowable activities and costs (including costs claimed for matching)
- C. Cash management
- E. Eligibility
- L. Reporting
- M. Subrecipient monitoring
- N. Special Tests and provisions

7. Refocus SA Compliance Testing

- D. Davis-Bacon
- F. Equipment and Real Property Management
- G. Level of Effort and Earmarking
- H. Period of Availability
- I. Procurement and Suspension & Debar
- J. Program Income
- K. Real Property Acquisition & Relocation

8. Shorten the SA Cycle

- Phase in period to 6 months – FY begin
 - July 1, 2012 due in 8 months
 - July 1, 2013 due in 7 months
 - July 1, 2014 due in 6 months
- Audit resolution shortened from 6 months to 4 months
- Goal of completing audit and audit resolution two months prior to end of next fiscal year

8. Shorten the SA Cycle Implementation Issues

- NFE management close books quicker and prepare SEFA earlier
- Pass-through identify CFDA & amount of award at time of disbursement
- Issues with States incorporating component units
- Auditor start work sooner and perform more interim procedures
- Compliance Supplement issued in February
- Agency improve structure to provide guidance

Effective Use of SA Reporting (Preliminary)

- 10. Conduct pilot project to digitize SA reports
- 11. Improve identification of high-risk audit findings
- 12. Develop baseline, metrics, and targets to track the effectiveness of SA over time
- 13. Implement an interagency SA analysis & reporting function.
- 14. Focus SA follow-up on whole of program accountability and individual NFE accountability

Effective Use of SA Reporting (Preliminary)

15. Expand the FAC role to provide central support and tracing of the audit follow-up process
16. Revise approach for follow-up on cross-cutting findings
17. Conduct pilot for coordinating review of IP & SA results for IP high priority programs
18. Conduct study for actions needed when QC identified that could cause IP
19. Conduct study to determine how SA reports could be posted to internet

AGA Study Leveraging Technology: Creating an Interactive Single Audit Database

Background

- AGA Research Project – Proof of Concept
- Initial look at XBRL
- Revised to PDF to XML to Text Search Engine
- Report due in June and available at <http://www.agacgfm.org/publications/journal/>

User Driven Data

- Digital linking
- Navigation
- Tagged Data
- Analysis
 - Program across entities
 - Across all programs within an entity
 - Between entities

Room for Improvement

- Untapped data
- Access and visibility
- Redaction spoils the day
- Too late – need actionable data
- Lack of standards
- Current technologies are not exploited
- Minimal investments
- Lack of Ownership

Looking Forward

- Leveraging existing investments
- Risk management
- Moving to standards

Amending the SA Objectives
Preliminary

20. Amend objective 5 to require agencies to not only rely upon and use the work done under the SAA, but to act on the results of SA.