



# Audits

## Who should conduct the audit?

The audit should be conducted by a qualified independent party. There are many expert companies and accounting firms with expertise in conducting federal audits. *Subpart F Audits* within *2 CFR Part 200* outlines the steps and requirements for an auditor. The federal government does not conduct the annual audit for grantees, but will obtain a copy of the audit and any findings. Audit costs are an allowable cost as either an indirect or direct charge.

## What is the scope of the audit?

In summary, the audit will cover a variety of topics including:

- 1) Review of all financial statements and financial documents.
- 2) Review of all internal controls and procurement procedures.
- 3) Compliance with federal statutes, regulations, and terms of the federal award.
- 4) Follow up on prior audit findings.

The auditor must complete and sign the specific sections of the data collection form as required in *2 CFR Part 200.512*. More information on the scope of the audit can be found in *§200.514 Scope of audit*.

## What happens with the audit findings?

If an audit results in a negative audit finding, the recipient must develop a corrective action plan outlining the steps and timeline for resolving the issue. A corrective action plan could include modifying or improving internal controls, procurement procedures, or even paying back grant funds used on items that were unallowable. The corrective action plan shall be sent with the audit to the Federal Audit Clearing house. If there is an audit finding that the recipient does not agree with, that should also be documented and the recipient will need to provide a justification.

## Common Audit Findings

Cash Management	Expenditures are not properly supported.	
Reporting	Reports not filed in a timely manner; incomplete or missing reports.	
Segregation of Duties	Payments initiated and approved by the same individual.	
Sub-Recipient Monitoring	Lack of financial or performance monitoring.	
Allowable Costs	Cost expended are not supported under the applicable costs principles of the award	

## Federal Audit Clearing House

Annual federal audits and accompanying materials need to be uploaded into the [Federal Audit Clearinghouse website](#), maintained by the US Census Bureau on behalf of the Office of Management and Budget (OMB).

## For-profit Audit Requirements

A for-profit organization, sole proprietor, or individual receiving a **DOC award** must have a program-specific or other audit performed where the federal share amount awarded is \$750,000 or more over the duration of the project period, or as specified in the award. The DOC award may 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 (GAGAS) and the requirements for a program-specific audit as described in 2 CFR Part 200, Subpart F, if applicable. A copy of the program-specific audit shall be submitted to the Grants Officer at the address specified in the award document.

## Cooperative Audit Resolution

Cooperative audit resolution is the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity. In accordance with §200.25, this approach is based upon:

- A) A strong commitment by Federal agency and non-Federal entity leadership to program integrity
- B) Federal agencies strengthening partnerships and working cooperatively with non-Federal entities and their auditors; and non-Federal entities and their auditors working cooperatively with Federal agencies
- C) A focus on current conditions and corrective action going forward;
- D) Federal agencies offering appropriate relief for past noncompliance when audits show prompt corrective action has occurred
- E) Federal agency leadership sending a clear message that continued failure to correct conditions identified by audits which are likely to cause improper payments, fraud, waste, or abuse is unacceptable and will result in sanctions.

To comply with this approach, NOAA is responsible for assessing Single Audits to ensure corrective actions are promptly completed.

## Audit | Investigation Resolution Process

An audit or an investigative review of an award may result in the disallowance of costs incurred by the recipient and the establishment of a debt (account receivable) due to DOC. For this reason, the recipient should take seriously its responsibility to respond to all audit findings and recommendations with adequate explanations and supporting evidence whenever audit results are disputed.

A recipient whose award is audited has the opportunities to dispute the proposed disallowance of costs and the establishment of a debt through the submission of written comments and documentary evidence.

NOAA will review the documentary evidence submitted by the recipient and will notify the recipient of the results in an Audit Resolution Determination Letter. The recipient has 30 calendar days from the date of receipt of the Audit Resolution Determination Letter to submit a written appeal, unless this deadline is extended in writing by the Grants Officer. The appeal is the last opportunity for the recipient to submit written comments and documentary evidence to the DOC to dispute the validity of the audit resolution determination.

An appeal of the Audit Resolution Determination does not prevent the establishment of the audit-related debt nor does it prevent the accrual of applicable interest, penalties and administrative fees on the debt in accordance with 15 C.F.R. Part 19. If the Audit Resolution Determination is overruled or modified on appeal, appropriate corrective action will be taken retroactively.

NOAA will review the recipient's appeal and notify the recipient of the results in an Appeal Determination Letter. After the opportunity to appeal has expired or after the appeal determination has been rendered, NOAA will not accept any further documentary evidence from the recipient.

## More Information on Audits

2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards  
[Subpart F- Audit Requirements](#)

Federal Audit Clearinghouse  
[Online Resources](#)