

Definitions

Audit - An independent review and examination of system records and activities.

Finding - The answer to an audit objective that is supported by sufficient, competent and relevant evidence.

Management Decisions - The evaluation of a recommendation by management, and a decision upon an appropriate course of action.

References

OMB Circular A-133: Audits of States, Local Governments and Nonprofit Organizations
<http://tinyurl.com/ys6pgd>

USAID ADS Chapter 591: Financial Audits of USAID Contractors, Recipients and Host Government Entities
<http://tinyurl.com/4f4t75>

FAR (48 CFR part 42)
<http://tinyurl.com/3qlg6o>

SF-SAC –Data Collection Form for Reporting Audits
<http://tinyurl.com/dzh3zq>

Topic: Financial Management

Annual Audit Requirements – Part 2

Q. What is the audit process? What do I need to know and do for an audit?

A. Prepare the following before your audit is conducted:

- Identify all U.S. Government (USG) funds received and the programs under which they were received;
- Gather financial reports (such as SF-425s) covering the fiscal year being audited;
- Prepare a schedule of expenditures made under your USG awards; and
- Prepare a schedule of prior audit findings (if any).

The Audit

The audit will focus on the following questions:

- Were financial reports submitted during the year accurate?
- Were the rules, regulations and policies governing the award followed?
- What is the status of any previous audit findings?
- Are there any questionable costs?

Responding to Findings

Once your audit is complete, your organization must prepare a corrective action plan to address each audit finding in the auditor's report.

For each item, provide the following:

- The responsible individual
- The corrective action planned
- The anticipated completion date

If you do not agree with an audit finding or believe corrective action is not required, then include an explanation and specific reasons.

Your audit package (described below) must be submitted within 30 days of receiving the report from your auditor or 9 months after the end of your fiscal year (the audit period).

Submitting to the USG

U.S.-based nonprofit organizations will submit their audit packages directly to the Federal Audit Clearinghouse (FAC). The FAC will distribute copies to the USG agency funding your award. Submit one copy to the clearinghouse, plus one copy for each USG agency that had audit findings in your report.

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Who Is Your Oversight Agency

If you receive funding from multiple USG agencies, the oversight agency takes the lead on management decisions for any audit findings that relate to multiple USG agencies.

The oversight agency is the USG agency that provides the predominant amount of funding in a given year. The oversight agency is responsible for the following:

- Providing technical audit advice to your organization and your auditor;
- Considering requests for extensions;
- Reviewing the audit package for quality and completeness.

For More information

For this or other issues of this eNewsletter, please visit www.NGOConnect.NET. The Web site is a dynamic and interactive portal dedicated to connecting and strengthening NGOs, networks and NGO support organizations worldwide.

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You are not required to submit your audit directly to your USG funding agency.

Example: If you receive funding from USAID and CDC, but only had findings related to your CDC award, you are required to submit two copies (one for the FAC, one for CDC.) The address for the FAC is:

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

Foreign and for-profit organizations may have different submission rules set by their funding agency. Please contact your funding agency, in-country or regional mission office for guidance.

Audit Follow-Up

In addition to submitting the audit package, you will be responsible for implementing your corrective action plan. Be sure to maintain documentation showing your progress on each item.

Even if there were no findings relevant to a particular USG agency, that agency still may request a copy of your audit directly from you. Further, the USG reserves the right to conduct its own audits, regardless of the outcomes of your audits.

Finally, you are required to maintain records and a copy of the audit package for a minimum of three years following submission or three years after a finding from that year was resolved.

Audit Package

The audit package must include the following:

- SF-SAC Form (Data Collection Form for Reporting on Audits)
- Financial Statements
- Schedule of Expenditures under USG Awards
- Summary Schedule of Previous Audit Findings
- The Auditor's Report
 - Opinion on the Financial Statements
 - Opinion on the Schedule of Expenditures
 - Report on Internal Controls for Financial Statement
 - Report on Internal Controls for Compliance
 - Schedule of Fundings of Questionable Costs
- Corrective Action Plan

To learn more about the regulations covering annual audits, dollar thresholds and other important information, please go to www.NGOConnect.Net and see *Annual Audit Requirements - Part 1* in the eNewsletter section under Resources.