# 2010 PSIC Workshop

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Office of Inspector General
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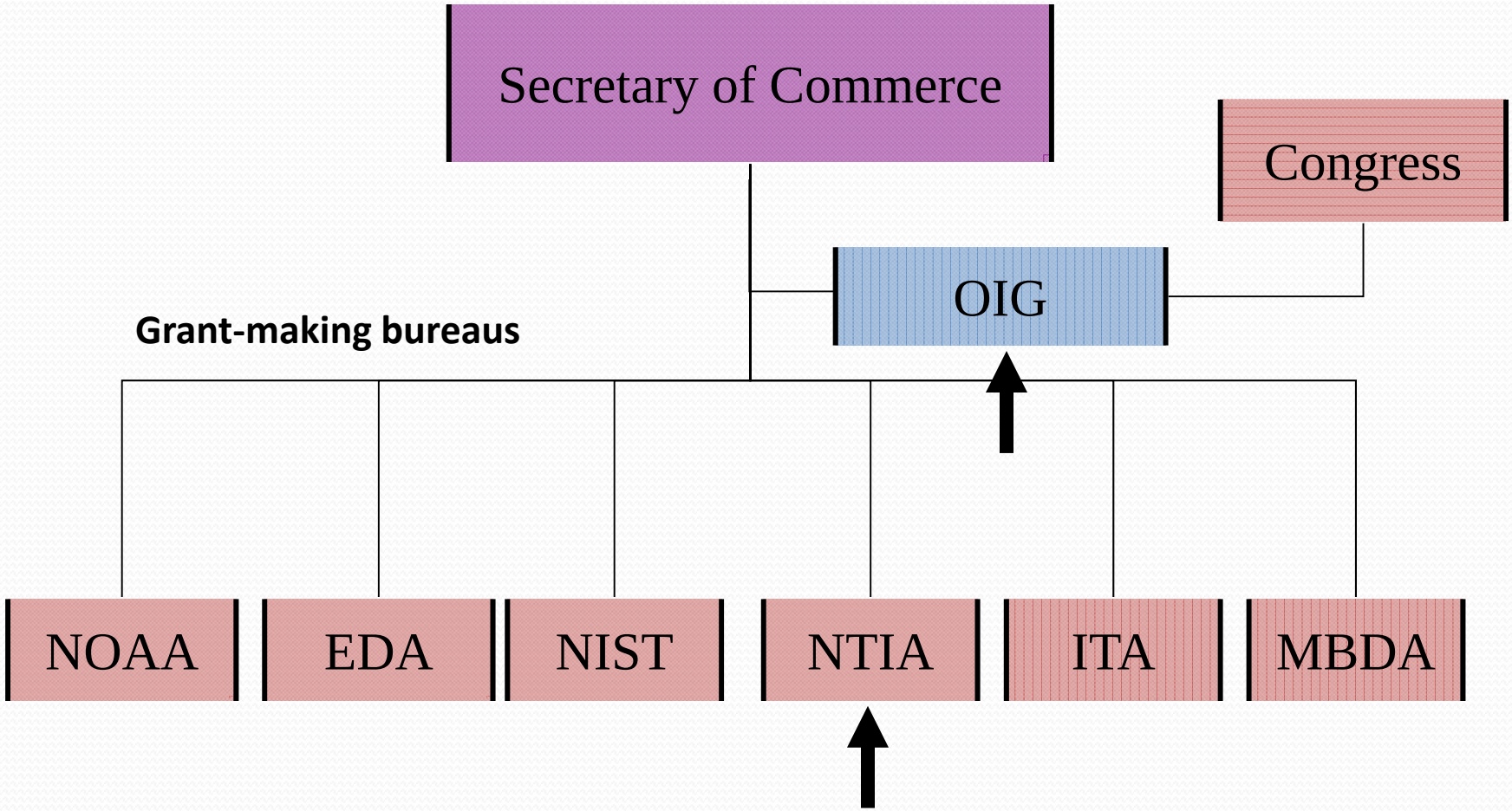
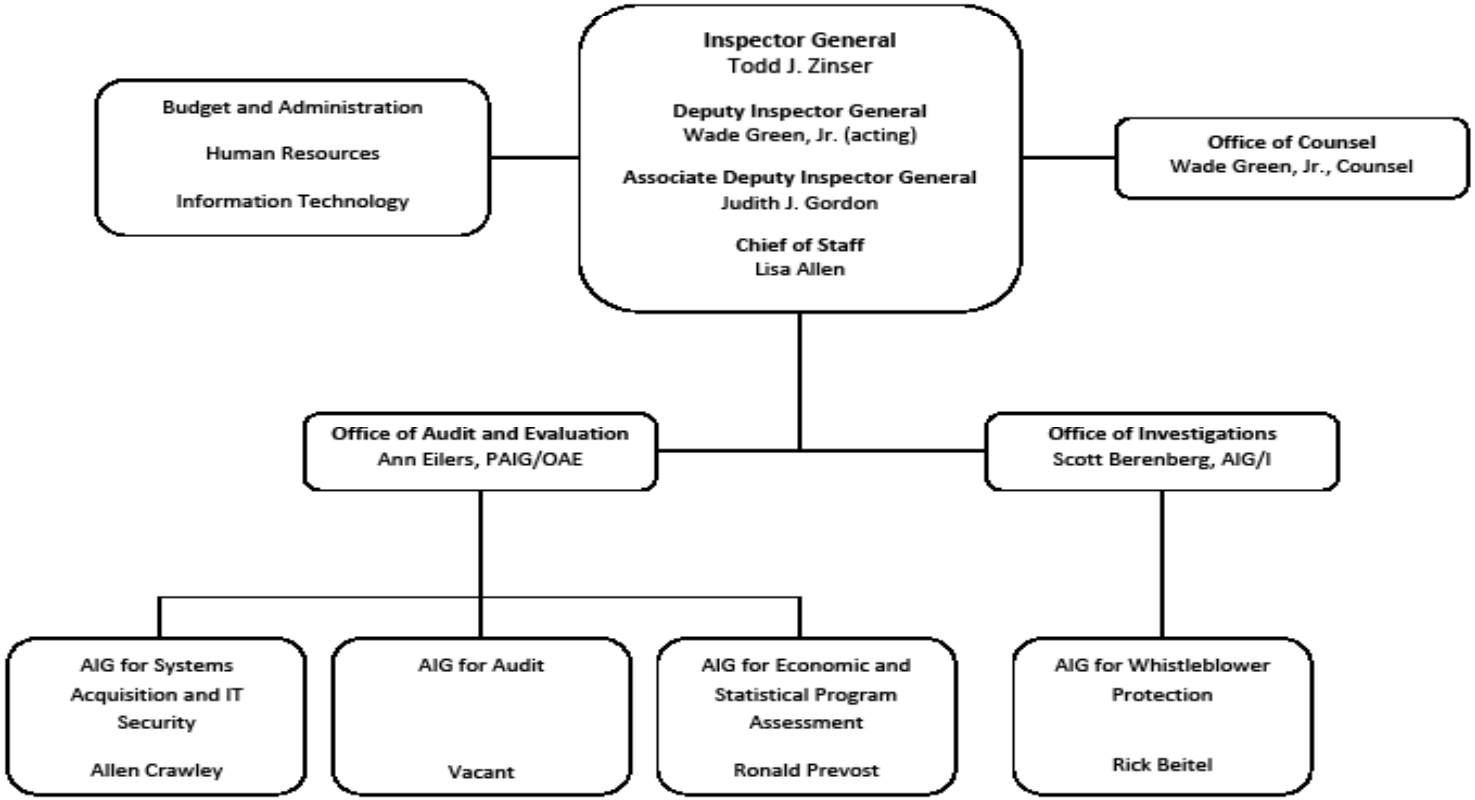
# U.S. Department of Commerce



# OIG Organization



# Types of PSIC Audits

- OMB Circular A-133 single audits
  - Organization-wide audit of the entity's financial statements, covering compliance and internal controls over federal grant spending.
  - Reports filed with national clearinghouse.
  - OIG Single Audit Office in Atlanta, GA.
- Statutory OIG financial audits
  - " ... the Inspector General of the Department of Commerce shall conduct financial audits of entities receiving grants from the (PSIC) program ... and shall ensure that ... such audits cover recipients in a representative sample of not fewer than 25 States or territories." *(Implementing Recommendations of the 9/11 Commission Act of 2007, Pub. L. No. 110-53, § 2201(e)(2))*
  - Audits conducted over a 4-year period, through September 30, 2011.

# Types of PSIC Audits

- Statutory OIG program assessments
  - "... the Inspector General of the Department of Commerce shall conduct an annual assessment of the management of the grant program ..." *(Implementing Recommendations of the 9/11 Commission Act of 2007, Pub. L. No. 110-53, § 2201(e)(1))*

# Statutory OIG Audits

- Completed audits of 9 states.
  - Final reports will be posted on our web site within 24 hours of issuance (www.oig.doc.gov).
- Issued 2 annual assessment reports.
  - First annual report was instrumental in legislative action to extend the PSIC program beyond September 2010.
  - Final reports will be posted on our web site within 24 hours of issuance (www.oig.doc.gov).

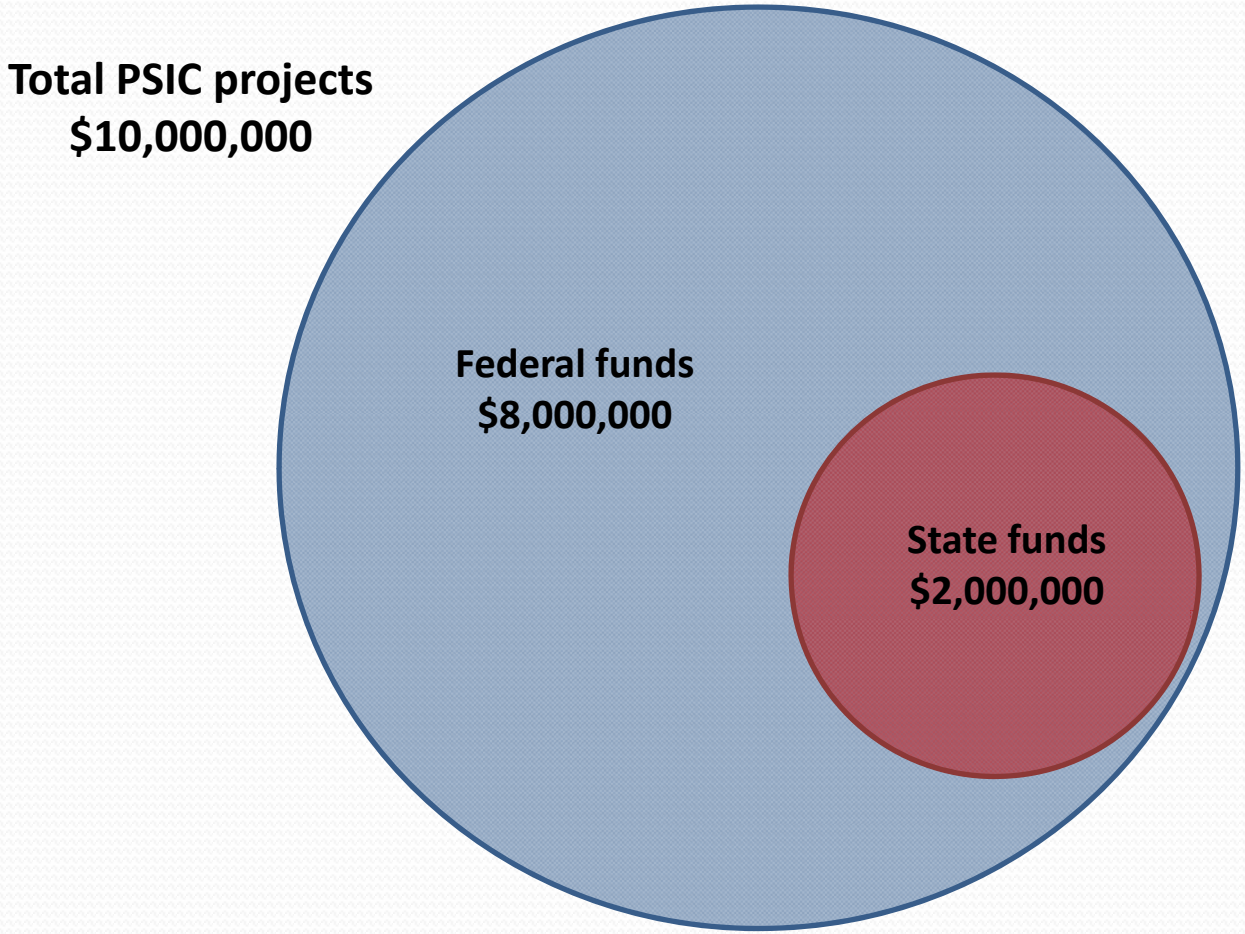
# Common Audit Findings

- Most states had minimal PSIC spending at time of audit.
  - Few transactions to review.
  - Initial concerns about completion alleviated by program extension.
- Transfers within or among investments/changes in scope
  - If cumulative amount exceeds 10% of approved budget, change must be approved by grants officer.
  - Obtain ***written*** approval.
- Advances of federal funds
  - General rule is to limit cash drawdowns to immediate cash needs.
  - PSIC rules allow advances for up to 30 days.
  - Advances must be placed in interest-bearing account and interest forwarded to the government.

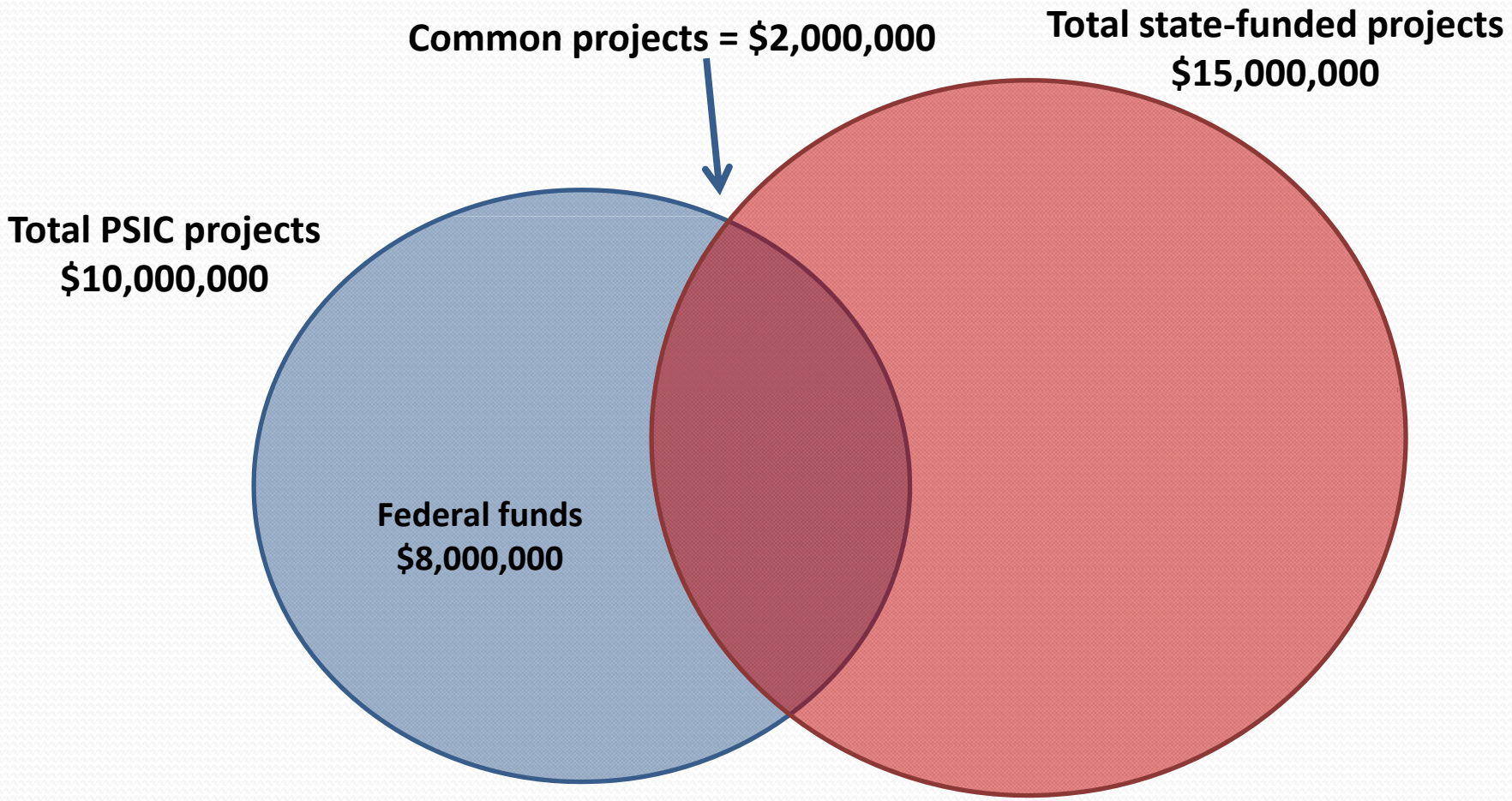
# Common Audit Findings

- Nonfederal matching share
  - Allowable matching share must be actual costs expended on the ***approved project***.
  - Planned expenditures after the end of the grant period are not allowable.
  - Expenditures before the grant period (preaward costs) may be allowable with written approval of the grants officer.
  - Prime recipient (SAA) will be held responsible if PSIC grant as a whole does not meet minimum required nonfederal matching share.

# Allowable Matching Share Model

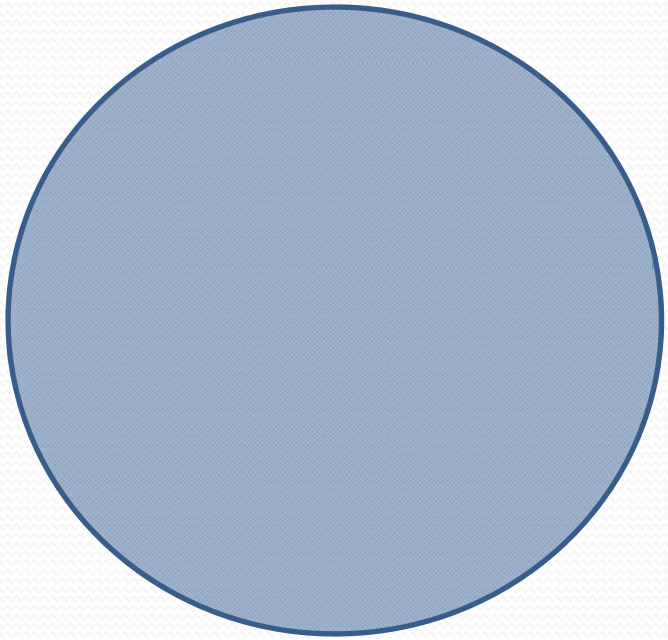


# Allowable Matching Share Model

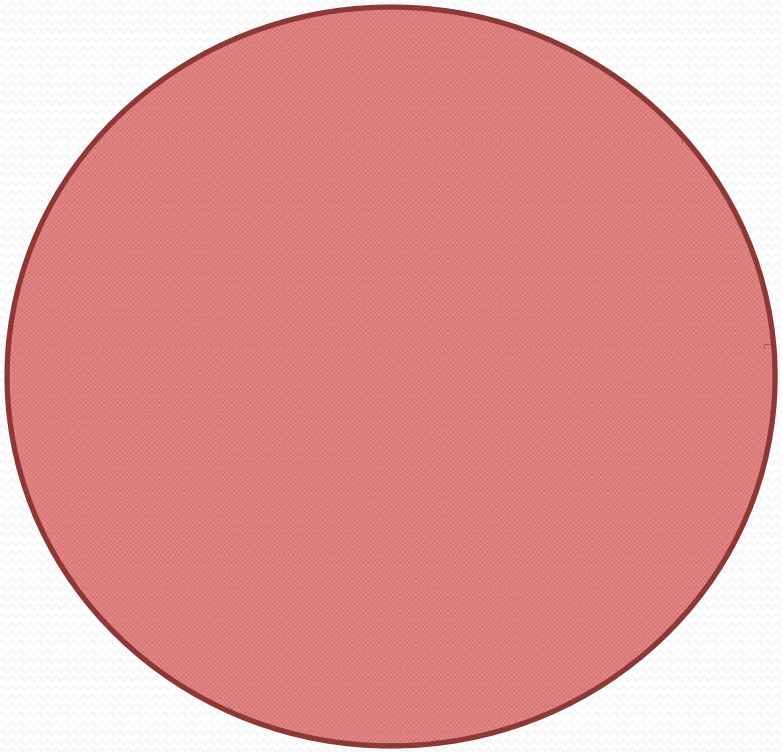


# Improper Matching Share Model

**PSIC investment = $10,000,000**



**State investment = $15,000,000**



# The Audit Process

- Arrange entrance meeting with SAA.
- Fieldwork at SAA and subrecipients, depending on structure within state and location of records.
- Discuss tentative findings and conclusions throughout the process and in exit briefing at conclusion of fieldwork.
- Draft report - 30 days to respond
- Final report - 30 days to respond
- Grants officer - Audit Resolution Proposal
- OIG makes recommendations to grants officer; not final determinations.

# Types of Documentation

- Approved Investment Justification
- Grant award and amendments
- Subawards  and amendments
- Correspondence
  - With NTIA and DHS
  - Between SAA and subrecipients
- Invoices from vendors and contractors and copies of purchase orders and contracts
- Support for claimed value of donated assets
- Salary and labor distribution records (timesheets)
- In general: Anything that will demonstrate to the auditor that costs were allowable, reasonable, and allocable.

# To Avoid Audit Findings

- Ensure the project you are performing is the same one the government approved.
- Understand roles of program officer and grants officer in approving work and changes in work.
  - Get it in writing.
- SAA is responsible for monitoring subrecipients and ensuring compliance with regulatory and grant requirements.
- Ensure nonfederal matching share contributions are real costs of the PSIC project.
- Document, Document, Document
  - Thorough, understandable records
  - The auditor only knows what he/she can see.

# To Avoid Audit Findings

- Communicate
  - With grants officer
  - With program officer
  - With auditor
  - With subrecipients, SAA, “partners,” other states
- Respond to requests for documentation/information.
  - From grants officer
  - From program officer
  - From auditor
- Don’t lie, cheat, or steal.

# Report Problems

- OIG Hotline
  - Report concerns about fraud, waste, or abuse of Commerce funds
  - 1-800-424-5197
  - http://www.oig.doc.gov/oig/hotline/000016.html
- Assistant Inspector General for Whistleblower Protection
  - Rick Beitel, RBeitel@oig.doc.gov

# Thank You

# Questions??