



FEMA

Public Safety Interoperable Communications Grant Program

AUDIT INFORMATION AND PREPARATION TOOLKIT

Audit Overview

This brochure is intended to assist Public Safety Interoperable Communications Grant Program (PSIC) grant recipients in understanding their Federal, statutory, financial, and programmatic audit requirements. Grantees may use this information to familiarize themselves with standard audit policies and procedures as well as PSIC-specific audit requirements. It is important that grantees familiarize themselves with these requirements to ensure that they are prepared in the event of an audit. Being adequately prepared for a potential audit may reduce the chance of negative audit findings that will require corrective action.

Preparing for an Audit

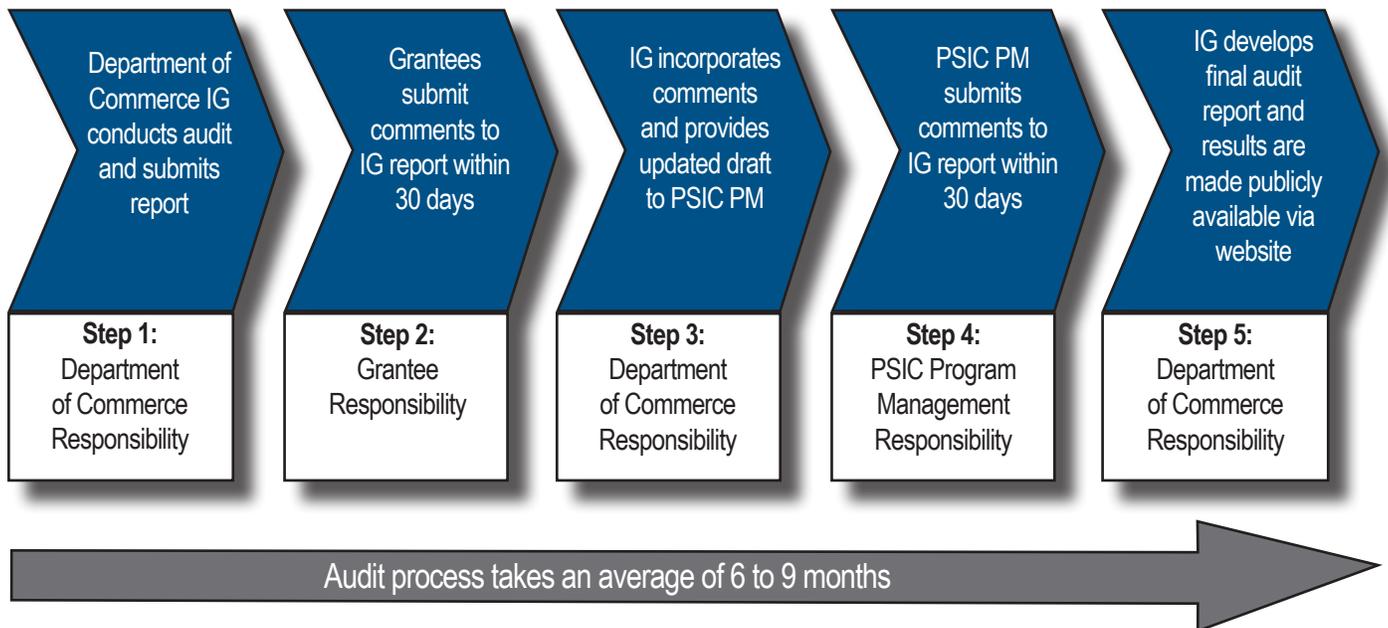
Grantees benefit from understanding how to prepare for audits as well as being familiar with the grant program requirements associated with audits. This document includes a checklist that is useful to complete while preparing for a potential audit, information about grant requirements associated with audits, and a tool for grantees to track whether they are meeting the requirements that auditors may evaluate in the event of an audit.

PSIC Audit Preparation Checklist

The State Administrative Agency (SAA) can use the following checklist to review its PSIC Grant Program obligations and to begin to develop its approach to collecting and documenting audit requirements. The SAA can include this checklist as part of its PSIC documentation to keep on file.

Did you...	Yes	No	Comments
Demonstrate compliance with PSIC program requirements?			
Demonstrate compliance with Standard Forms and Assurances?			
Notify your Chief Financial Officer, State Auditor, Certified Public Accountant, and other financial professionals maintaining your accounting records about the PSIC funds and reporting requirements?			
Identify who is going to approve payment for project costs and prepare your financial status reports?			
Designate an audit liaison for your State or Territory?			
Provide timely financial reports in the format required?			
Establish a financial management system based on common standards set in 44 CFR Part 13.20, available at: http://www.access.gpo.gov/nara/cfr/waisidx_04/15cfr24_04.html			
Provide documentation on the procurement process?			
Designate staff at the State and subgrantee level to manage documentation and reporting process?			
Ensure data collection mechanisms (for Financial Status Report, Biannual Strategy Implementation Report, and Categorical Assistance Progress Report) are in place at the beginning of grant implementation?			
Ensure compliance with financial restrictions of the program?			
Document all matching funds?			
Complete the full audit checklist? (See page 4)			

PSIC Department of Commerce, Inspector General (IG) Audit Process



Understanding Audit Requirements

PSIC funds are subject to the standard Federal audit requirements established by *OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations*¹. *OMB Circular A-133* sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards. PSIC is also subject to an *OMB Circular A-133 Compliance Supplement*. This supplement includes the PSIC-specific requirement that grantees provide a 20 percent non-Federal match on acquisition, deployment, and management and administration costs. Match is waived for Territorial governments if they expend less than \$200,000 on costs requiring match” to the following “If a Territory’s matching requirement is \$200,000 or less, the Territory has no matching requirement. If the matching requirement is more than \$200,000, the affected Territory is exempt from the first \$200,000 of the matching requirement and is responsible for providing match above and beyond the \$200,000.”²

Additionally, PSIC statutory audit requirements are included in the *Implementing Recommendations of the 9/11 Commission Act of 2007*.³ This legislation outlines the requirement that beginning in 2008 the Inspector General (IG) of the Department of Commerce is required to conduct financial and programmatic audits of entities receiving PSIC grants. Over the course of 4 years, the IG is expected to audit a representative sample of not fewer than 25 States or Territories.

Key OMB Circular A-133 Requirements

OMB Circular A-133 is a comprehensive document that reviews all facets of audit requirements with which States, local governments, and non-profit organizations must comply. Below is a list of key requirements. PSIC grant recipients are encouraged to review the full document for more in depth information.

- **When audits are required** – Non-Federal entities that expend \$500,000 or more in a year in Federal awards are required to have a single or program-specific audit conducted for that year
- **Auditee Responsibilities** –
 - Identify in accounts all Federal awards received and expended
 - Maintain internal controls
 - Comply with Generally Accepted Government Auditing Standards (GAGAS), laws, regulations, and the provisions of contracts or grant agreements
 - Prepare appropriate financial statements

1 *OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations*, <<http://www.whitehouse.gov/omb/circulars/a133/a133.asp>>

2 *OMB Circular A-133 PSIC Compliance Supplement*, <http://www.whitehouse.gov/omb/circulars/a133_compliance/08/doc.pdf>

3 *Implementing Recommendations of the 9/11 Commission Act of 2007*, <<http://intelligence.senate.gov/laws/pl11053.pdf>>

- Ensure that audits are performed properly and submitted when due
- Follow-up and take corrective action on audit findings
- **Selecting an Auditor** –
 - Auditor procurement must be in compliance with OMB Circular A-102⁴ and 2 CFR Part 215⁵
 - Auditors who prepare indirect cost proposals or cost allocation plans for an auditee may not perform audits
 - Federal auditors may perform all or part of an audit if they fully comply with OMB Circular A-133 requirements
- **Financial statements** – Auditees are required to prepare financial statements that accurately reflect their financial position
- **Audit findings follow-up** – Auditees are responsible for follow-up and corrective action on all audit findings
- **Report submission** – Audits must be completed nine months after the end of the grantee’s fiscal year

PSIC Financial Audit Requirements

Grantees that expend \$500,000 or more of Federal funds during their fiscal year are required to submit an organization-wide financial and compliance audit report. The audit must be performed in accordance with the U.S. General Accountability Office, Government Auditing Standards and OMB Circular A-133. An overview of these financial requirements are listed below.

- **Audit Compliance** – The State must require that subgrantees comply with the audit requirements set forth in OMB Circular A-133 and is responsible for ensuring that sub-recipient audit reports are received. They are also responsible for resolving audit findings
- **Audit Records** – Grantees are required to give the sponsoring agency, the Inspector General, or the Comptroller General, through any authorized representative, access to, and the right to examine all records related to the grant
- **Record Availability** – The Secretary of Commerce, the Inspector General of the Department of Commerce, and the Comptroller General of the United States have access to any books, documents, and records of recipients of PSIC Grant Program assistance for audit and examination purposes
- **Audit Submission** – Audit reports are due to the Federal Audit Clearinghouse no later than nine months after the end of the recipient’s fiscal year

PSIC Programmatic Audit Requirements

Programmatic audit requirements are described in detail in the PSIC Grant Guidance and Application Kit.⁶ An overview of these requirements is listed below as well as in the PSIC Audit Compliance checklist.

- **Program Funding Goals**
- **Technology Goals**
- **All Hazards Mitigation Goals**
- **Strategic Technology Reserve (STR) Requirements** – States must demonstrate and document that their STR equipment is pre-positioned in advance for immediate deployment in an emergency situation or major disaster. The STR must also be capable of re-establishing communications when existing critical infrastructure is damaged or destroyed in an emergency or a major disaster
- **Pass-through Requirements** – States must pass-through 80 percent of the total award unless they have in place Memorandum of Understanding allowing them to retain more funds. The Territories and the District of Columbia have no pass-through requirements and Puerto Rico must pass-through 50 percent of their total award amount
- **Allowable Cost Requirements** – Grantees may only expend PSIC funds on the Allowable Cost categories identified in the *Deficit Reduction Act of 2005*⁷ and the PSIC Grant Guidance and Application Kit. The Allowable Cost categories are Statewide Planning, Management and Administration, Acquisition, Deployment, Planning and Coordination, and Training. Statewide Planning and Management and Administration costs may only be expended at the State level
- **Match Requirements** – Grantees must provide a 20 non-Federal percent match on Acquisition, Deployment, and Management and Administration costs. Match is waived for Territorial governments if they expend less than \$200,000 on costs requiring match
- **Standard Assurances** – Grantees are expected to comply with all the Standard Assurances in Standard Form 424, that they submitted with their grant application⁸

4 OMB Circular A-102, <http://www.whitehouse.gov/omb/circulars_a102/>

5 2 CFR Part 215, <<http://www.whitehouse.gov/omb/assets/omb/circulars/a110/2cfr215-0.pdf>>

6 PSIC Grant Program Guidance and Application Kit, <http://www.ntia.doc.gov/psic/PSICguidance_081607.pdf>

7 Deficit Reduction Act of 2005, <http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_bills&docid=f:s1932enr.txt.pdf>

8 For more detail on Standard Assurances please refer to pages 14 - 18 of the PSIC Grant Guidance and Application Kit, <http://www.ntia.doc.gov/psic/PSICguidance_081607.pdf>

PSIC Audit Compliance Checklist

This checklist provides the SAA with a comprehensive list of Federal statutory, financial, and programmatic requirements that they should fulfill to be compliant with the PSIC Grant Program. The SAA can include this checklist as part of its PSIC documentation to keep on file.

Complete	Criteria	Comments
<input type="checkbox"/>	Maintain up-to-date grant documentation	
	<input type="checkbox"/> Scope of Work (e.g., information on system architecture and procedures)	
	<input type="checkbox"/> Copies of diagrams, equipment rack layouts, and/or other depictions of technical aspects for all projects	
	<input type="checkbox"/> Copies of up-to-date project documentation (including procurement documentation)	
	<input type="checkbox"/> Inventory Checklist	
<input type="checkbox"/>	Submit required financial and programmatic documentation	
	<input type="checkbox"/> FSR	
	<input type="checkbox"/> BSIR	
	<input type="checkbox"/> CAPR	
<input type="checkbox"/>	Compliant with OMB Circular A-133 requirements	
<input type="checkbox"/>	Compliant in meeting pass-through requirement and submitting appropriate documentation	
<input type="checkbox"/>	Compliant with only spending PSIC funds on allowable costs	
<input type="checkbox"/>	Complaint in meeting match requirements and submitting appropriate documentation	
<input type="checkbox"/>	Compliant in meeting PSIC program goals	
	<input type="checkbox"/> Utilizes reallocated public safety spectrum for radio communication	
	<input type="checkbox"/> Enables interoperability with communications systems that can utilize reallocated public safety spectrum for communication	
	<input type="checkbox"/> Improves or advances the interoperability of public safety communications systems that utilize other public safety spectrum bands	
<input type="checkbox"/>	Compliant in meeting PSIC technology objectives	
	<input type="checkbox"/> Adopts advanced technological solutions	
	<input type="checkbox"/> Improves spectrum efficiency	
	<input type="checkbox"/> Uses cost-effective measures	
<input type="checkbox"/>	Compliant in meeting PSIC all-hazard mitigation objectives	
	<input type="checkbox"/> Improves interoperable communications in areas at high risk for natural disaster	
	<input type="checkbox"/> Continues to improve interoperability efforts in urban and metropolitan areas at high risk for threats of terrorism	
	<input type="checkbox"/> Pre-positions or secures interoperable communications in advance for immediate deployment in an emergency or major disaster (e.g., STR)	
<input type="checkbox"/>	Compliant in meeting STR requirements	
	<input type="checkbox"/> Pre-positioned interoperable communications equipment	
	<input type="checkbox"/> Ready to be deployed in an emergency situation or major disaster	
	<input type="checkbox"/> Capable of re-establishing communications when existing critical infrastructure is damaged or destroyed in an emergency or major disaster	
<input type="checkbox"/>	Maintain complete and appropriate documentation and files to track progress in meeting program criteria	
	<input type="checkbox"/> Projects are meeting pre-established milestones	
	<input type="checkbox"/> Projects are meeting performance requirements	
	<input type="checkbox"/> Project budgets are up-to-date	