

# Hear It From The Auditor! Current Top Findings – How They're Reviewed and How to Avoid Them!

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- Originally from Nashville, Tennessee;
- Favorite places include the Parthenon in Nashville (see the golden statue!), Istanbul, and Dubai;
- ♦ More than 15 years of experience in municipal budgeting, public financial management, governmental audit, and management consulting;
- ♦ Previously served as Deputy Finance Director for the City of Columbus, Ohio, responsible for Asset Management and Grants Management;
- ♦ Member of the Crowe LLP Public Sector Consulting and Government Audit groups for 13 years ultimately rising to the level of Senior Manager before departing to return to direct public service; and
- ♦ Immediate Past President of the National Grants Management Association (NGMA) and current Member of the Thompson Grants Advisory Board.



# Audit What, Audit Who, Audit When?

- ◆ There is no shortage of audits occurring now – and there are even more to come!
- ◆ You may have heard about or been subject to...
  - ◆ Single Audits conducted in accordance with Subpart F to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
  - ◆ Annual financial statement audits;
  - ◆ Financial audits performed by Offices of Inspectors General;
  - ◆ Federal agency or pass-through entity monitoring; or
  - ◆ **FILL IN THE BLANK!**



I'M CONCERNED WITH WHY WE CONTINUE TO PURCHASE YOUR AUDIT SERVICES WHEN WE HAVEN'T HAD A SIGNIFICANT ISSUE IN YEARS

YOU'RE WELCOME!



- ◆ During this session, we will discuss some of the common issues occurring throughout the country so that YOU feel more prepared when your turn comes.
- ◆ Remember that auditors have discretion, and most audits are not like the Single Audit with pre-set “recommended audit procedures.” *Expect different procedures from different auditors who are tasked with accomplishing different objectives.*

# Polling Question 1

How confident are you in understanding how auditors have to apply materiality when determining whether or not to report a finding?

- A. Very Confident
- B. Confident
- C. Not Confident
- D. I always thought materiality had something to do with the socks grandma made for me...

# Polling Question 2

Are you familiar with the OMB Compliance Supplement?

- A. Yes
- B. No
- C. I order my supplements online (while working remotely)



# Procurement

Procurement typically provides for low hanging fruit for auditors. Why?!?!

A quick refresher:

- ♦ The Uniform Guidance permits State Agencies to follow the laws of the applicable state plus certain UG provisions.
- ♦ Recipients and subrecipients that are not state agencies must comply with the procurement standards in the UG.
- ♦ Procurement is a process area intended to mitigate the risk of waste, abuse, payment of unreasonable costs or prices, and improperly directed purchases.
- ♦ The Build America, Buy America (BABA) Act is now in play.
  - ♦ Requires all federal agencies, to ensure **by May 14, 2022**, that no federal financial assistance for “infrastructure” projects is provided “unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.”
  - ♦ *USDE: New Awards Made on or after October 1, 2022*
    - ♦ Buy American does not apply to ESSER/GEER/EANs
  - ♦ Federal waiver available.
  - ♦ **Projects with multiple funding sources (i.e., multiple agencies or multiple awards) may trigger the BABA requirements.**



# Appendix II to Part 200 (2 CFR 200.327)

- ♦ Breach of Contract provisions
- ♦ Termination for Cause of Convenience
- ♦ Equal Employment Opportunity
- ♦ Davis-Bacon Act
- ♦ Contract Work Hours and Safety Standards Act
- ♦ Right to Inventions Made Under a Contract or Agreement
- ♦ Clean Air Act and Federal Water Pollution Control Act
- ♦ Debarment and Suspension
- ♦ Byrd Anti-Lobbying Amendment
- ♦ *Recovered Materials*
- ♦ *Prohibition on certain telecommunications and video surveillance services or equipment.*
- ♦ *Domestic Preference*

# Procurement Challenges

Let's discuss some of the key items that are causing challenges:

- ♦ How do you know which set of rules to follow? How do your subrecipients know?
- ♦ How does this interplay with the use of state term schedules and other cooperative purchasing arrangements?
- ♦ Lack of documentation and/or inadequate process to implement 2 CFR Part 200.321 (MBE, WBE, SBE considerations)
- ♦ Frequent change orders that increase award value or duration without competition
- ♦ Federal contract provisions in Appendix II to 2 CFR Part 200 not included in purchase orders / contracts



# Construction

# Polling Question 3

How often does your department or agency use federal funds for construction (including alterations or repairs)?

- A. Never until ESSER decided to visit...
- B. Rarely...as in about as often as I order my steak cooked rare
- C. Frequently
- D. Not sure

# Construction Requirements

## Uniform Guidance

- ♦ Prior written approval (2 CFR 200.439); Domestic Preference (2 CFR 200.322); Recovered Materials (2 CFR 200.323); Bonding (2 CFR 200.326), etc.
- ♦ Davis-Bacon prevailing wage requirements
- ♦ Timely implementation (including beginning construction within a “reasonable time” after receipt of the grant
- ♦ Other federal / state / local requirements including ADA accessibility, flood mitigation, protected ecosystems, etc.

## EDGAR: 34 CFR 76.600 / 75.600

- ♦ National Historic Preservation Act; Federal Interest; Title and Use
- ♦ Prior approvals required from the DOE or the SEA

# Construction Requirements (Continued)

- ◆ So, what are the challenges?

Approvals from  
incorrect parties

Lack of  
familiarity with  
requirements

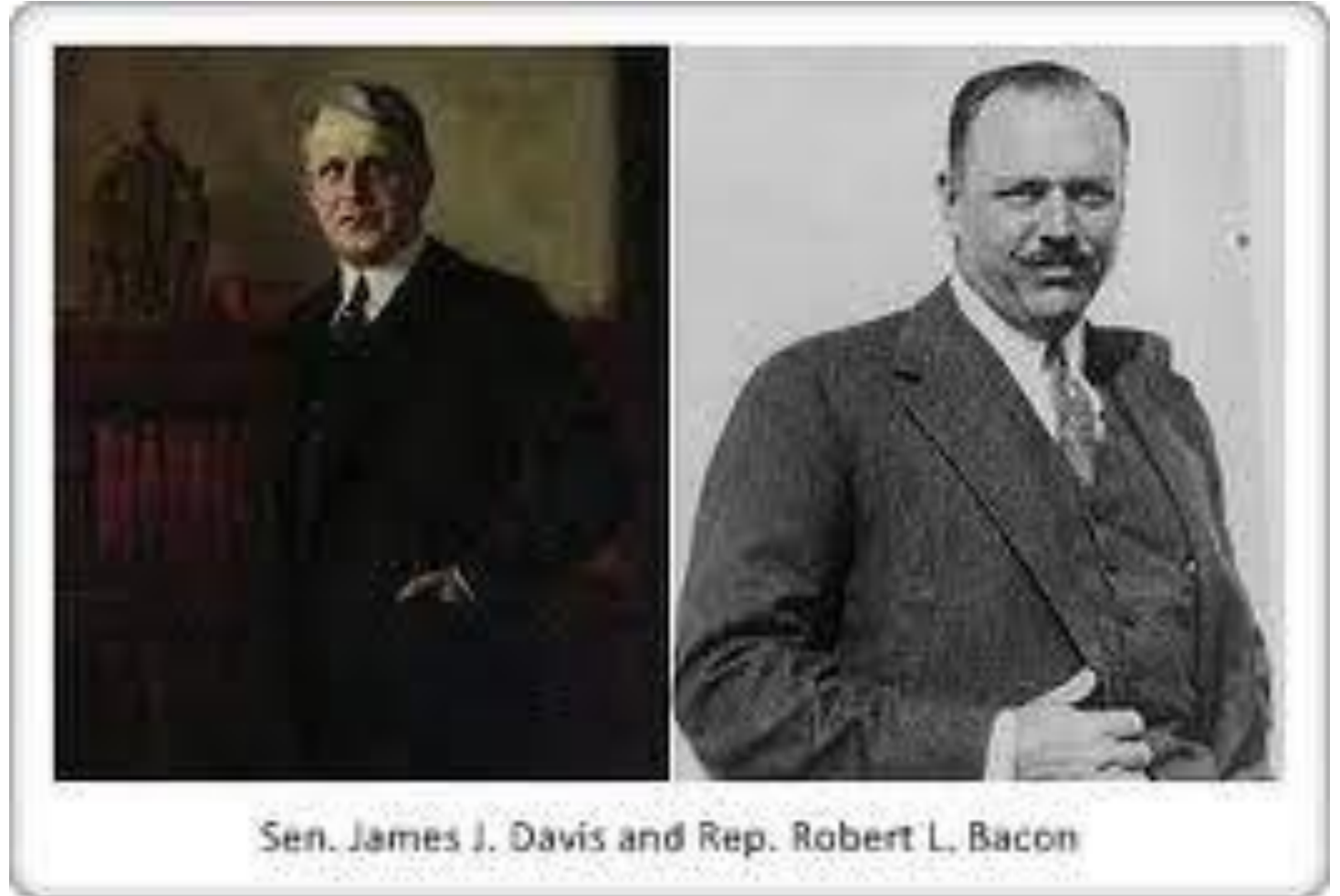
Environmental  
and Procurement  
Requirements

Supply Chain  
issues and  
timeliness

Lack of  
Monitoring

Stacking /  
braiding funds

# Davis-Bacon Act



# Davis-Bacon Act (DBA) Applicability

- ◆ DBA has been around since 1931. Why are there so many issues now?
- ◆ All federally-funded contracts over \$2,000 for minor remodeling, renovation, repair, and/or construction of public buildings or public works
- ◆ DBA applies to the prime contract and all subcontractors
- ◆ Prevailing wages, including fringe benefits, must be:
  - ◆ Paid on all hours worked on the site of the work
  - ◆ Based on duties job performed
  - ◆ Apprentices may be paid less if in a registered program.





# Davis-Bacon – Contracting Agency Requirements

- ◆ Contracting agencies must:
  - ◆ Ensure contract includes Davis-Bacon provisions where applicable and determine prevailing wage schedule applicable
  - ◆ Ensure weekly payroll records are received and align with prevailing wage
  - ◆ Confirm poster is visible on work site
  - ◆ Confirm those making less than prevailing wage are in qualified apprenticeship programs

# Davis-Bacon – Contractor Requirements

- ◆ Contractors and subcontractors must:
  - ◆ Pay covered workers weekly
  - ◆ Submit weekly certified payroll records to the contracting agency.
  - ◆ Post the applicable Davis-Bacon wage determination with the [Davis-Bacon poster \(WH-1321\)](#) on the job site in a prominent and accessible place where they can be easily seen by the workers.

# Davis-Bacon Act (Continued)

- ◆ Q&A Time!
  - ◆ What do I do if I'm not sure if DBA applies to me?
  - ◆ Isn't this the contractor's problem to manage?
  - ◆ What does DBA monitoring look like?

# Polling Question 4

Is your agency or department using multiple federal funding sources on current projects? For example, ARPA Fiscal Recovery plus ESSER, or another mix.

- A. Yes
- B. No
- C. BAZINGA! No idea

# Any Questions?



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