




UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

February 13, 2012

MEMORANDUM FOR: Scott B. Quehl
Chief Financial Officer and Assistant Secretary for Administration

FROM: Ann C. Eilers 
Principal Assistant Inspector General for Audit and Evaluation

SUBJECT: Single Audit Results for the 12-Month Period Ending
December 31, 2011

Nonfederal entities (states, local governments, tribes, colleges and universities, and nonprofit organizations) that expend \$500,000 or more in a year of federal awards are required by the Single Audit Act of 1984, and Amendments of 1996, to have an annual audit of their federal awards. The purpose of the Act is to set forth standards for obtaining consistency and uniformity among federal agencies with the audit of nonfederal entities expending federal awards.

All auditees electronically submit to the Federal Audit Clearinghouse a data collection form (a summary of audit results), as well as a copy of the reporting package consisting of:

- financial statements,
- a schedule of expenditures of federal awards,
- a summary schedule of prior audit findings,
- auditor's reports of compliance and opinion on the financial statements, and
- a corrective action plan.

Federal awarding bureau responsibilities in connection with the Single Audit Act include:

- advising recipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements,
- ensuring audit completion and report receipt;
- providing technical advice to auditees and auditors; and
- issuing a management decision on audit findings within 6 months after receipt of the audit report—and ensuring that the recipient takes appropriate and timely corrective action. See OMB Circular A-133, Subpart D, section 400 (c).

OIG is responsible for thoroughly reviewing the issued audit report and auditee responses, considering carefully each finding and recommendation, and determining whether the recommendations can and should be implemented. For reports with nonresolution findings, we notify the bureau of the finding(s) and emphasize the importance of resolution of the findings(s) prior to the next audit; however, a formal response is not required. In instances with material findings, DAO 213-5, "Audit Resolution and Follow-Up," requires a formal response. We work with the bureaus to ensure they prepare written determinations, specifying concurrence or nonconcurrence with each recommendation. The written determination presents a specific plan of corrective action, with appropriate target dates for implementing all accepted recommendations. We conduct this review on an ongoing basis—and we intend to present summary analyses on a semiannual basis.

This memorandum provides an analysis of single audit reports, including a summary of findings that OIG reviewed during the 12-month period ending December 31, 2011. We reviewed each report for compliance with the reporting requirements of OMB Circular A-133 (but not the quality of the underlying audits) and analyzed the results. (Find our observations in table I below.)

Table I. Analysis by Bureau for OIG-Reviewed Calendar Year 2011 Single Audit Reports							
Bureau	Reports Reviewed	Reports with Findings	Percentage of Reports with Findings	Material Findings^a	Nonresolution Findings^b	Total Findings	Questioned Costs^c
EDA ^d	128	35	27	21	142	163	\$1,995,271
NOAA	60	12	20	15	42	57	6,083,137
NTIA	22	6	27	20	14	34	1,843,908
NIST	40	6	15	12	23	35	0
Multiple	80	9	11	0	0	0	0
MBDA	1	0	0	0	1	1	0
ITA	1	0	0	0	0	0	0
TOTAL	332	68	20	68	222	290	\$9,922,316
^a Material findings are those with questioned costs greater than \$10,000 and/or significant nonfinancial findings. Reports identifying material findings have been forwarded to the appropriate program and grants officials for resolution action. ^b Nonresolution findings are those with questioned costs less than \$10,000 or administrative findings. Reports identifying these findings have been forwarded to grants officials. ^c Questioned costs are subject to change through the audit resolution/appeal process. ^d EDA also had \$90,955 in funds to be put to better use.							

As shown in table I, there were:

- 20% of all reports reviewed that contained at least one finding,
- between 12 and 21 material findings at each of four Commerce bureaus,
- between 1 and 142 nonresolution findings at each of five Commerce bureaus, and
- \$9.9 million of questioned costs for all Commerce programs.

Table 2 (below) provides a summary analysis of reports reviewed, including the number of reports with findings (both material and nonresolution), with emphasis on the number of material findings by Commerce program:

Table 2. Findings in OIG-Reviewed Calendar Year 2011 Single Audit Reports by Commerce Program, Identified by Catalog of Federal Domestic Assistance (CFDA) Number						
Bureau	Program	CFDA	Number of Reports Reviewed	Number of Reports with Findings	Percentage of Reports with Findings	Material Findings
EDA	Economic Adjustment Assistance—Revolving Loan Fund (RLF) Program	11.307	114	61	54	12
EDA	Investments for Public Works and Economic Development Facilities	11.300	48	26	54	9
NOAA	Coastal Zone Management Administration Awards	11.419	37	6	16	4
NOAA	Coastal Zone Management Estuarine Research Reserves	11.420	21	1	5	2
NOAA	Marine Mammal Data Program	11.439	7	2	29	2
NOAA	Inter-Jurisdictional Fisheries Act of 1986	11.407	10	1	10	1
NOAA	Financial Assistance for National Centers for Coastal Ocean Science	11.426	7	1	14	1
NOAA	Marine Fisheries Initiative	11.433	8	1	13	1
NOAA	Cooperative Fishery Statistics	11.434	6	1	17	1
NOAA	Southeast Area Monitoring and Assessment Program	11.435	10	1	10	1
NOAA	Habitat Conservation	11.463	40	8	20	1
NOAA	Unallied Science Program	11.472	18	1	6	1
NTIA	Broadband Technology Opportunities Program (BTOP)	11.557	8	4	50	12
NTIA	State Broadband Data and Development Grant Program	11.558	10	3	30	5
NTIA	Public Telecommunications Facilities Planning and Construction	11.550	16	1	6	3
NIST	Manufacturing Extension Partnership (MEP)	11.611	49	15	31	12

As shown in table 2, the Commerce bureau programs with the most material findings were EDA RLF, NTIA BTOP, and NIST MEP, each with 12. The programs with the highest percentage of reports with material and/or nonresolution findings were EDA RLF, EDA Investments for Public Works and Economic Development Facilities, and NTIA BTOP, each with at least 50 percent.

The most common finding types across all Commerce programs included noncompliance with “Reporting” and “Other” requirements. Findings in the “Other” category included (1) a lack of segregation of duties, (2) the CPA firm playing a large role in preparing the financial statements, and (3) assistance from CPA firms in the preparation of the Schedule of Expenditures of Federal Awards.

The next most frequent nonresolution findings related to “Special Tests and Provisions” associated with the EDA RLF Program. The findings included (1) noncompliance with RLF capital utilization rates (generally EDA requires recipients to have at least 75 percent of the RLF’s capital base loaned or committed at any given time), (2) bank turn-down letters that could not be located (demonstrating that credit is not otherwise available), and (3) incorrect calculation of RLF expenditures on the Schedule of Expenditures of Federal Awards (SEFA).

Our single audit team—which will provide the bureaus a detailed summary of the findings—is ready to discuss these results in more detail as the Department proceeds with the resolution of findings. If you have any questions, please contact me at (202) 482-4661 or Andrew Katsaros at (202) 482-7859.

cc: Lisa Casias, Director for Financial Management and Deputy Chief Financial Officer
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