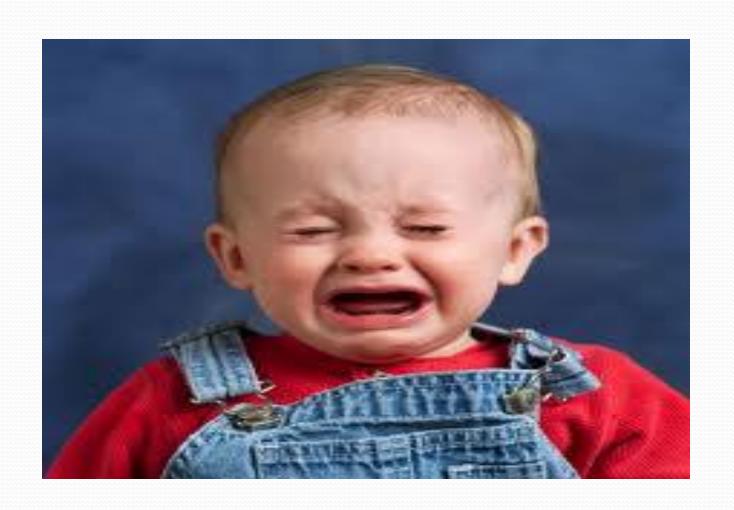
Audit Made Easy

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Keep in Mind... Perception is Reality...



What brought us here?

Financial Integrity Review & Evaluation

Financial management reviews & Single Audit

Reports from Office of Inspector General

July 2011 Report stated \$8 billion annually plus \$8 billion ARRA

FHWA National Reviews

Lack of comprehensive oversight routinely found on multiple levels

What is the bottom line?

 To make much better use of our limited resources through increased oversight by ALL stakeholders

Why should we care?

 Budget cuts, layoffs in private and public sector, infrastructure issues

How can audit & oversight be made easier?

- Know what to expect from and of the auditor
 Require entrance and exit meetings
- As the MPO/LPA clearly define your own expectations of the consultant and/or contractor

Use your resources! Look for ways to partner

What is a Single Audit?

- A single audit combines the annual financial statement audit with additional audit coverage of Federal funds.
- Required if entity expends \$500,000 or more in Federal funds
- The single audit is intended to meet the basic audit needs of both the non-Federal entity and Federal awarding agencies. Any additional auditing by the Federal government builds upon work performed by other auditors.

What responsibilities are involved?

- Identify Federal awards received and expended
- Prepare financial statements and Schedule of Expenditures of Federal Awards
- Obtain the audit and ensure completion
- Submit the audit reporting package
- Take corrective action on audit findings

How else to make it easy?

- Know the problem areas! Where are we seeing problems that can be avoided?
- Critical documents are missing from files such as NEPA documents, State agreements, permits, change orders, PE reports, construction records, diaries, material test reports, certified payrolls, labor compliance reviews
- Consultants typically keep the records associated with the administration of the project, leaving the owner with insufficient project documentation
- Project billings are not reviewed timely or systematically.
 How do you know you are getting what you are paying for?

- What does your source documentation say? What would it say to a stranger?
- Very few, limited, or no construction inspections are being performed
- Work is performed outside of contract scope
- Agencies lacking expertise in hiring and managing consultants should have State assistance

- Feds find problems" Excerpts from a mid west newspaper
- Last fall, state auditors asked federal highway officials for help in reviewing change orders -- which can cause costs to balloon -- and a subsequent federal review found \$2.8 million in questionable cost overruns that may have to be reimbursed to the feds.
- In January, highway officials spent two days reviewing change orders representing 46 percent of the original construction contracts. They found 69 change orders.

- The federal report said it appeared the city and state's knowledge of federal eligibility criteria was "limited."
- The general manager of the District said such audits are by their nature critical.
- The city's original design contract with the consultant ballooned from \$3 million to \$32 million and the company's construction management contract grew from \$2 million to \$13 million as of August.

 The federal review found "substantial deficiencies and areas of noncompliance" and said many of the change orders were not sufficiently justified or documented.

 Several projects included work not likely eligible for federal reimbursement, such as an irrigation system, fiber optic work requested by the city, \$100,000 in pedestrian lighting, temporary lighting at the State Fair entrance, colored concrete and a pedestrian safety fence

The Important Thing is Not to Stop Questioning . . .

Most problems are avoidable or relatively easy to correct with a resolution to due diligence

RESOURCES

- Highlights of single audit process and Q and As: basic questions, where to go for more information, due dates, extensions, submission process
- http://harvester.census.gov/sac/FAQ.htm
- General Grants Management Information: Audit Circulars, Audit Requirements, Administrative Requirements, Cost Principles
- www.omb.gov/grants

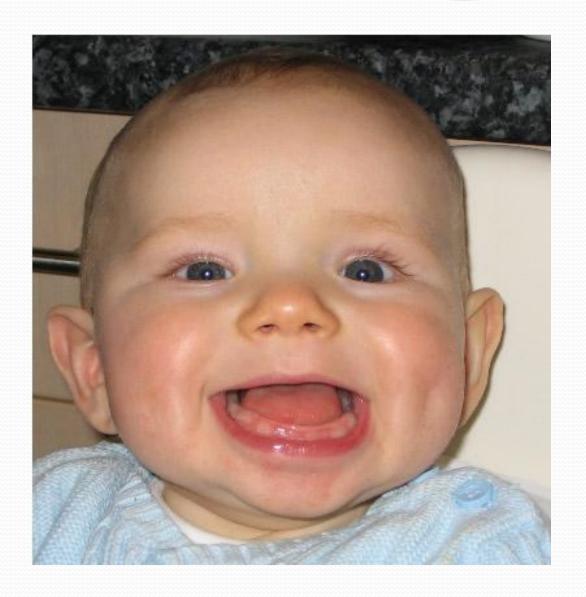
RESOURCES Continued

 AASHTO Uniform Audit & Accounting Guide for Audits of A&E Consulting Firms:

Management and CPA roles and responsibilities, allocating costs, unallowable costs, direct and indirect costs

http://audit.transportation.org

 Circular A-133 for Audits of States, Local Governments and Non-Profit Organizations: Single Audit in Detail http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf



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