

**2008 AICPA/ HHS  
Single Audit Workshop  
September 15, 2008 – 1:00 PM Session  
Kansas City, Missouri**

**Audit Resolution**  
Carolyn Mc Shannon  
Marilyn Peck-Henderson

*U.S. Department of Education (ED),  
Office of Inspector General (OIG)*

1

---

---

---

---

---

---

---

---

**What we plan to cover in this session**

- Describe How Audit Resolution is handled in the U.S Department of Education (ED) for audit findings pertaining to ED programs other than findings relating to the Student Financial Aid Programs administered by our Office of Federal Student Aid (FSA).

2

---

---

---

---

---

---

---

---

- *Resolution of Student Financial Aid Program findings, including findings at guaranty agencies and lenders, will be discussed by Hugh Monaghan at the Post-Conference Optional Session at 10:50 AM on Wednesday*

3

---

---

---

---

---

---

---

---

**What we plan to cover in this session**

- The ED regulatory requirement to establish a *prima facie* case for audit resolution and what it means for the auditor.
- The Pass-through entity's responsibility to resolve audit findings for subrecipients.

4

---

---

---

---

---

---

---

---

**In ED, Audit resolution is performed pursuant to:**

- OMB Circular A-50, *Audit Followup*, dated September 29, 1982;
- Pertinent provisions of the *General Education Provisions Act (GEPA)* [20 U.S.C. 31]; and
- Departmental procedures

5

---

---

---

---

---

---

---

---

**The process of Audit Resolution in ED for other than SFA findings**

1. Report is received by the Federal Audit Clearinghouse
2. Report and data about it is forwarded to ED, Office of Chief Financial Officer (OCFO), Audit Resolution Staff (ARS)

6

---

---

---

---

---

---

---

---

3. Findings are analyzed by OCFO – ARS and assigned to ED audit resolution officials responsible for the findings to be resolved.

Some are resolved by OCFO – ARS, others are assigned to Program Offices, e.g., Office of Elementary and Secondary Education.

7

---

---

---

---

---

---

---

---

4. The audit resolution official begins to prepare a Program Determination Letter (PDL), which will advise the auditee of ED’s determination about the finding, and what they must do about it.

8

---

---

---

---

---

---

---

---

When two or more audit findings are to be resolved, resolution may be grouped in one PDL, or multiple PDLs may be issued.

9

---

---

---

---

---

---

---

---

5. The audit resolution officials analyze the findings to determine whether all required information is included. For findings for which a disallowance of funds is contemplated, they need to ascertain whether a *prima facie* case is established, and other information included, as required by the General Education Provisions Act (GEPA) and implementing Regulations.

10

---

---

---

---

---

---

---

---

### ED Regulatory Requirements for Establishing a Prima Facie Case Requirement

34 C.F.R 81.34(a) specifies what must be in the PDL when ED decides there must be a recovery of funds.

11

---

---

---

---

---

---

---

---

### When a recovery of funds is required by ED:

- The PDL must establish a *prima facie* case for the recovery of funds, including an analysis reflecting the value of the program services actually obtained in a determination of harm to the Federal interest.

12

---

---

---

---

---

---

---

---

- For this purpose, “a *prima facie* case is a statement of the law and the facts that, unless rebutted, is sufficient to sustain the conclusion drawn in the notice.”
- The facts may be set out in the PDL or in a document that is identified in the notice and available to the recipient.

13

---

---

---

---

---

---

---

---

The ED Regulation also says: A statement that the recipient failed to maintain records required by law or failed to allow an authorized representative of the Secretary access to those records constitutes a *prima facie* case for the recovery of the funds affected.

14

---

---

---

---

---

---

---

---

Finally, the regulation says:

If the recipient failed to maintain records, the PDL must briefly describe the types of records that were not maintained and identify the recordkeeping requirement that was violated.

If the recipient failed to allow access to records, the statement must briefly describe the recipient's actions that constituted the failure and identify the access requirement that was violated.

15

---

---

---

---

---

---

---

---

**Back to the ED Audit Resolution Process:**

- For all findings, the audit resolution official ascertains whether the information

required to be included in the findings by OMB Circular A-133, §.510 (b) is included.

- If it is not, and the missing information is needed to prepare the PDL, they will contact the auditor to get the missing information. That can result in a need to amend the audit findings to include the missing information.

16

---

---

---

---

---

---

---

---

- For determinations that funds must be recovered, the audit resolution must attempt to gather the information required by ED regulations regarding prima facie case.

17

---

---

---

---

---

---

---

---

- If that information is not in the audit finding the audit resolution official may request copies of the audit documentation relating to the finding to seek the information.

18

---

---

---

---

---

---

---

---

**OMB Circular A-133 § .515(b):**

Requires the auditor to make copies of audit documentation available for audit resolution purposes to Federal agencies providing direct or indirect funding.

19

---

---

---

---

---

---

---

---

**Back to the ED Audit Resolution Process:**

6. Upon preparing the PDL, the ED audit resolution official may supplement their analysis with conversations with the auditor (e.g., to get clarification of matters in the report or audit documentation, if obtained), and the auditee.
7. Once all information is gathered, the PDL is finalized and issued to the auditee.

20

---

---

---

---

---

---

---

---

The PDL describes ED's determination on each finding, and what the auditee must do about the finding. If funds must be returned, it directs the auditee how to return the funds.

If the auditee disagrees with the determination, there are appeal rights within the Department, and ultimately to the Federal Courts.

21

---

---

---

---

---

---

---

---

**A State Agency (e.g., State Education Agency) that passes-through Federal awards to a subrecipient (e.g., Local School District) is responsible for issuing a management decision on audit findings.**

22

---

---

---

---

---

---

---

---

**OMB Circular A-133 §.400 (d) (5) requires the pass-through entity to:**

**“Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.”**

23

---

---

---

---

---

---

---

---

**“Appropriate Action” would include:**

- **Recovery of Funds**
- **When funds are recovered, return to the Federal Government or, if permissible under federal law or regulations, including period of availability requirements, and any required Federal approvals are required, reallocation for authorized purposes.**

24

---

---

---

---

---

---

---

---

## Any questions?

[carolyn.mcshannon@ed.gov](mailto:carolyn.mcshannon@ed.gov)

[marilyn.peck@ed.gov](mailto:marilyn.peck@ed.gov)

25

---

---

---

---

---

---

---

---

*Thank you!*

26

---

---

---

---

---

---

---

---