



United States
Department of
Agriculture

National Institute
of Food and
Agriculture

**National Institute of Food and Agriculture (NIFA) Federal Assistance
Policy Guide:
Section VII: Audit Requirements
pp. 160-166**

NIFA Office of Grants and Financial Management

April 21, 2021

The contents of this document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

VII. Audit Requirements

High quality audits provide key information to stakeholders and the public to maintain accountability and transparency, help improve program performance, reduce costs, and facilitate decision-making. An audit is a systematic review or appraisal made to determine whether internal accounting and other control systems provide reasonable assurance of the following:

- Financial operations are properly conducted;
- Financial reports are timely, fair, and accurate;
- The entity has complied with applicable laws, regulations, and other grant terms;
- Resources are managed and used economically and efficiently; and
- Desired results and objectives are being achieved effectively.

Legal authorities, in the form of statutes, regulations, and OMB Circulars, provide a framework for ensuring accountability by recipients of Federal appropriated funds through audits and audit resolution/follow-up. With regard to recipients of Federal awards, these authorities address the following three aspects of grantee operations: administrative requirements, fiscal requirements, and program performance. The audit requirements establish standards for obtaining consistency and uniformity among Federal agencies for the audit of states, local governments, universities, colleges, hospitals, and non-profit organizations expending Federal awards. NIFA grantees (other than Federal institutions) are subject to the audit requirements of the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and the Uniform Guidance 2 CFR 200, Subpart F. When a grantee procures audit services, the procurement must comply with the procurement standards, including obtaining competition and making positive efforts to use small businesses, minority-owned firms, and women's business enterprises.

All non-Federal recipients of Federal funds expending \$750,000 or more during the fiscal year in Federal awards must have a single or program-specific audit conducted for that year. Recipients will typically have a single audit conducted unless they elect to have a program-specific audit conducted.²⁵ A single audit is an audit that includes both the entity's financial statements and the Federal awards. Programmatic requirements audited for Federal awards are outlined in the Federal-wide [Single Audit Compliance Supplement](#).

Non-Federal entities expending less than \$750,000 a year in Federal awards are exempt from Federal audit requirements for that year except as noted in 2CFR 200.503, Relation to Other Audit Requirements, but records must be available to NIFA, the pass-through entity, or the GAO, as requested for review or audit (2 CFR 200.501(d)).

²⁵ Program-specific audits can be conducted when an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted (2 CFR 200.501(c)).

The costs of conducting an audit, unless otherwise prohibited, are allowable charges to Federal awards. They can be considered direct costs or allocated as indirect costs, as determined in accordance with the applicable cost principles. Audits not conducted in accordance with the requirements of the Single Audit Act of 1996 are not allowable costs and costs of conducting an audit when an entity is not so required by NIFA to do so will also result in an unallowable cost.

In procuring audit services, auditees are required to follow the procurement standards prescribed by 2 CFR 200 Subpart D.

A. *Audit Cognizant Agency ALL AWARDS*

All audits of recipient institutions will be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Generally, any non-Federal entity expending more than \$750,000 a year in Federal funds must have a single audit (see 2 CFR 200.501). The designated cognizant agency for audit is the Federal awarding agency that provides the predominant amount of direct funding unless OMB designates a specific cognizant agency for audit. Notwithstanding the manner in which audit cognizance is determined, a Federal awarding agency with cognizance for a recipient may reassign cognizance to another Federal awarding agency which provides substantial direct funding and agrees to be the cognizant agency for the audit. Within 30 days after any reassignment, both the old and new cognizant agency for the audit shall notify the recipient and, if known, the auditor of the assignment.

Please see 2 CFR 500.513 for the responsibilities of the Cognizant Agency which include helping grantees by providing technical assistance and coordinating decisions for cross cutting audit, as discussed in 2 CFR 200 Subpart F.

B. *Auditee Responsibilities ALL AWARDS*

Under 2 CFR 200, the auditee must:

1. Procure or otherwise arrange for the audit required by this part in accordance with 2 CFR 200.509 Auditor selection (Procurement Standards 2 CFR 200.317), and ensure it is properly performed and submitted when due in accordance with 2 CFR 200.512 Report submission.
2. Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with 2 CFR 200.510 Financial Statements.
3. Promptly follow up and take corrective action on audit findings in accordance with 2 CFR 200.511(a), including preparation of a summary schedule of prior audit findings and a corrective action plan as provided in 2 CFR 200.511(b)(1)-(3) and 2 CFR 200.511(c), respectively.

4. Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.
5. Prepare a summary schedule, by fiscal year, of prior audit findings and corrective action plans for current year audit findings. The summary schedule of prior audit findings reports the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards. The summary schedule also includes audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected, or no longer valid or not warranting further action. Consider the following:
 - a. When audit findings were fully corrected, the summary schedule only lists the audit findings and states that corrective action was taken;
 - b. When audit findings were not corrected or were only partially corrected, the summary schedule describes the planned corrective action as well as any partial corrective action taken;
 - c. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's management decision, the summary schedule provides an explanation;
 - d. When the recipient believes the audit findings are no longer valid or do not warrant further action, the reasons for this position are described in the summary schedule.
6. Prepare a corrective action plan to address each audit finding included in the current year auditor's reports including: the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the recipient does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.
7. Following a single or program-specific audit, recipients are required to electronically submit to the Federal Audit Clearinghouse (FAC) the reporting package, which must include:
 - a. Financial statements and schedule of expenditures of Federal awards discussed in 2 CFR 200.510 Financial Statements, paragraphs (a) and (b), respectively;
 - b. Summary schedule of prior audit findings discussed in 2 CFR 200.511 Audit Findings Follow-Up, paragraph (b);
 - c. Auditor's report(s) discussed in 2 CFR 200.515 Audit Reporting; and
 - d. Corrective action plan discussed in 2 CFR 200.511 Audit Findings Follow-Up, paragraph (c).
8. The reporting package must be submitted within the earlier of 30 days after the receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by NIFA or the cognizant agency for

the audit. If the date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

C. NIFA Responsibilities ALL AWARDS

NIFA's Policy and Oversight Division in the Office of Grants and Financial Management is responsible for audit resolution and recipient monitoring to ensure the resolution of the recipient's single audit findings for grantees that NIFA is determined to be the cognizant agency for audit or the oversight agency for audit as outlined in 2 CFR 200.73. The roles and responsibilities for NIFA are as follows:

1. Ensure that audits are completed and reports are received in a timely manner and in accordance with the requirements of this part.
2. Provide technical advice and counsel to auditees and auditors as requested.
3. Follow-up on audit findings to ensure that the recipient takes appropriate and timely corrective action. As part of audit follow-up, NIFA will:
 - a. Issue a management decision as prescribed in 2 CFR 200.521 Management Decision;
 - b. Monitor the recipient taking appropriate and timely corrective action;
 - c. Use cooperative audit resolution mechanisms to improve Federal program outcomes through better audit resolution, follow-up, and corrective action;
 - d. Coordinate a management decision for cross-cutting audit findings (as defined in 2 CFR 200.30) that may affect the Federal programs of more than one agency when requested by an agency that awards are also included in the findings;
 - e. If corrective action is not taken then the cognizant or oversight agency must Inform the auditor, the auditee, and any applicable Federal awarding agencies or pass through entities of the facts and make recommendations for follow-up action; and
 - f. Develop a baseline, metrics, and targets to track, over time, the effectiveness of the Federal agency's process to follow-up on audit findings and on the effectiveness of Single Audits in improving non-Federal entity accountability and their use by Federal awarding agencies in making award decisions.
4. Provide OMB annual updates to the compliance supplement and work with OMB to ensure that the compliance supplement focuses the auditor to test the compliance

requirements most likely to cause improper payments, fraud, waste, abuse or generate audit finding for which the Federal awarding agency will take sanctions.

5. Provide OMB with the name of a single audit accountable official from among the senior policy officials of the Federal awarding agency who must be:
 - a. Responsible for ensuring that the agency fulfills all the requirements of paragraph (c) of this section and effectively uses the single audit process to reduce improper payments and improve Federal program outcomes.
 - b. Held accountable to improve the effectiveness of the single audit process based upon metrics as described in paragraph (c)(3)(f) of this section of the Policy Guide on NIFA Responsibilities.
 - c. Responsible for designating the Federal agency's key management single audit liaison.

6. Provide OMB with the name of a key management single audit liaison who must:
 - a. Serve as the Federal awarding agency's management point of contact for the single audit process both within and outside the Federal government.
 - b. Promote interagency coordination, consistency, and sharing in areas such as coordinating audit follow-up; identifying higher-risk non-Federal entities; providing input on single audit and follow-up policy; enhancing the utility of the FAC; and studying ways to use single audit results to improve Federal award accountability and best practices.
 - c. Oversee training for the Federal awarding agency's program management personnel related to the single audit process.
 - d. Promote the Federal awarding agency's use of cooperative audit resolution mechanisms.
 - e. Coordinate the Federal awarding agency's activities to ensure appropriate and timely follow-up and corrective action on audit findings.
 - f. Organize the Federal cognizant agency for audit's follow-up on cross-cutting audit findings that affect the Federal programs of more than one Federal awarding agency.
 - g. Ensure the Federal awarding agency provides annual updates of the compliance supplement to OMB.
 - h. Support the Federal awarding agency's single audit accountable official's mission.

D. Fraud, Waste, and Abuse of NIFA Grant Funds ALL AWARDS

Any individual who becomes aware of the existence (or apparent existence) of fraud, waste, or abuse related to NIFA grants or grant funds should contact:

- The recipient institution's Office of Sponsored Research, Compliance Office, or other responsible office;
- The NIFA NPL listed on the RFA that funded the grant;
- The OGFМ Policy and Oversight Division;
- The USDA Office of the Inspector General

Allegations of criminal activity, such as bribery, smuggling, theft, fraud, and endangerment of public health or safety are to be reported to the Department Agriculture, Office of Inspector General (OIG) Hotline. The OIG has authority within USDA to conduct criminal investigations. The USDA OIG maintains a post office box and a toll-free hotline for receiving information from individuals concerning fraud, waste, or abuse under USDA grants and cooperative agreements. The identity of the caller is kept confidential, and callers are not required to give their names.

USDA Office of Inspector General Hotline

United States Department of Agriculture
Office of Inspector General
P.O. Box 23300
Washington, DC 20026-3399 Phone: (202) 690-1622
(800) 424-9121
(202) 690-1202 (TDD)
Email: usda_hotline@oig.usda.gov

Further allegations of **non-criminal misuse of grant funds**, including mismanagement or waste of funds, workplace violence, employee misconduct and grantee conflicts of interest are to be reported to OGFМ or the OIG Hotline. OGFМ provides a centralized management survey and review capability to promote program integrity, conduct appraisals of alleged incidents of waste, fraud, and abuse and has lead responsibility for cases received through the OIG Hotline that are referred to NIFA for action. OGFМ has no authority to undertake criminal investigations. OGFМ refers all allegations of criminal offenses to the OIG for investigation.

Examples of fraud, waste, and abuse that should be reported include embezzlement, misuse, or misappropriation of grant funds or property, and false statements, whether by organizations or individuals. Other examples include theft of grant funds for personal use; using funds for non-grant-related purposes; theft of Federally-owned property or property acquired or leased under a grant; charging the Federal government for the services of "ghost" individuals; charging inflated building rental fees for a building owned by the grantee; submitting false financial reports; and submitting false financial data in bids submitted to the grantee (for eventual payment under the grant).

The Federal government may pursue administrative, civil, or criminal action under a variety of statutes relating to fraud and making false statement or claims. Even if a grant is not awarded, the applicant may be subject to penalties if the information contained in or submitted as part of an application, including its certifications and assurances, is found to be false, fictitious, or fraudulent. The Program Fraud Civil Remedies Act of 1986, 31 U.S.C. 3801 *et seq.*, provides for the administrative imposition by USDA of civil penalties and assessments against any person who knowingly makes false, fictitious, or fraudulent claims to the Federal government for money, including money representing grants, loans, or benefits. If a grant is awarded and payment is made on a false or fraudulent claim, an assessment of not more than twice the amount of the claim, up to \$150,000, may be made in lieu of damages. Regulations established by USDA at 7 CFR 1.301-346 specify the review process for imposing civil penalties and assessments, including hearing and appeal rights. The Criminal False Claims Act, 18 U.S.C. 287, and 18 U.S.C. 1001, provides for criminal prosecution of a person who knowingly makes or presents any false, fictitious, or fraudulent statements or representations or claims against the United States. Violations of these statutes carry a maximum sentence of 5 and 8 years imprisonment, respectively.

Penalties and damages will be imposed by the United States, through civil litigation, against any person who knowingly makes a false or fraudulent claim for payment, makes or uses a false record or false statement to get a false claim paid or approved, or conspires to defraud the Federal government to get a false claim paid (Civil False Claims Act, 31 U.S.C. 3729-3733). A "claim" includes any request or demand for money or property made to the United States or to a contractor, grantee, or other recipient, if the Federal government provides or will reimburse any portion of the funds claimed (Civil False Claims Act, 31 U.S.C. 3729-3733). Civil penalties of not less than \$5,000 and not more than \$10,000 may be imposed for each false claim, plus damages of up to three times the amount of the damages the government sustains because of the violation, and the costs of any civil action brought to recover such penalties and damages (Civil False Claims Act, 31 U.S.C. 3729(a)). NIFA also may administratively recover misspent grant funds pursuant to the authorities contained in 2 CFR 200.