



Los Angeles Valley College

Guidelines for U.S Department of Labor Grants

Audit and Audit Resolution Process and Procedures

**Guidelines for
U.S. Department of Labor Sub-recipient Awards**

July 13, 2012

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Internal Process

Request for Proposal

All **Requests for Proposals (RFP)** will include language “subject to the terms and conditions of the funding agency (name agency)” and all the particular rules and regulations will be delineated including supplying financial records, submitting quarterly financial reports divulging any audits and audit findings. The RFP will also state that to be considered the applicant must agree to submit the A-133 Pre-Qualifying Audit Questionnaire (see page 5).

- A. All proposers will participate in a prequalifying process which will include a letter (see page 4) and the A-133 Pre-qualifying Audit Questionnaire (see page 5) to ensure that the applicant is in compliance with all required rules and regulations mandated by the funding agency. As is required in the Request for Proposal (RFP) bid process, it is mandatory that the applicant submit the A-133 Pre-qualifying Audit Questionnaire. Failure to submit will render the applicant non-responsive and thus, excluded from the bid process.

Contracts

All **contracts** with sub-recipients will include language “subject to the terms and conditions of the funding agency, (name agency)” and all the particular rules and regulations will be delineated including supplying financial records, submitting quarterly financial reports divulging any audits and audit findings.

Sub-Recipient Audit Review and Monitoring (if awarded)

- B. If proposer qualifies and is awarded a contract, the awardee will agree to a desk audit to be performed by LAVC (if the LACCD threshold is reached) to ensure that the awardee is in compliance with all required rules and regulations mandated by the funding agency. This consists of the A-133 Comprehensive Audit Questionnaire (see page 9). Additionally, sub-recipients will be required to submit all financial documents that were associated with the funding.
- C. If any issues arise from the desk audit, then a more comprehensive 10-step procedure will be followed (see page 16). In addition, if there are reports or observations of sub-recipient engaging in any inappropriate activities, LAVC reserves the right to perform the more comprehensive 10-step audit of the sub-recipient.
- D. If the LAVC internal audit department decides it is necessary to undertake the 10 steps of standard audit procedure, the sub-recipient will be notified and provided with a description of the process. A full description of this process is included on page 16 of

this document and includes the following steps: Notification, Planning, Opening Meeting, Fieldwork, Communication, Report Drafting, Management Response, Closing Meeting, Report Distribution, and Follow-Up. This will include a system to ensure that all audit findings are recorded, tracked, and resolved within six months of the audit report issuance.

An audit will be performed every three years by the LACCD internal audit department.

Sub-Recipient Payment

All sub-recipients must submit detailed invoices of all work performed. Valley College will review invoice, cross-checking with performance timetable and deliverables before releasing payment.



Los Angeles Valley College

LETTER TEMPLATE TO ACCOMPANY PRE-QUALIFYING AUDIT QUESTIONNAIRE

Date

Chief Financial Officer
Sub-recipient Awardee
Address

Re: Audit Questionnaire: A-133
 Grant Agency: Insert
 Grant Award Number: Insert

Dear Sir or Madam:

Los Angeles Valley College is soliciting bids for United States Department of Labor funds Insert grant name and award number.

As a recipient of Federal awards, the College has obligations as required by the Office of Management and Budget (OMB) Circular A133. These obligations include assessing potential sub-recipients before a sub-award can be granted.

In doing so, we request your response to the attached **A-133 Pre-qualifying Audit Questionnaire**, as was required in the Request for Proposal (RFP) bid process. These questions are drawn from OMB Circular A-133 and its draft Compliance Supplement and are necessary regarding information about your organization. It is mandatory that the applicant submit the A-133 Pre-qualifying Audit Questionnaire to be considered for the award. Failure to submit will render the applicant non-responsive and thus, exclude them from the bid process. The original must be signed by an authorized representative and returned to:

Insert Administrator Responsible Contact Information

Once your organization is selected as a sub-recipient, all sub-recipients must complete the full questionnaire, titled, **A-133 Comprehensive Audit Questionnaire** which will be reviewed by LAVC to determine the status of the organization's compliance with the Federal requirements. Additionally, sub-recipients will be required to submit all financial documents that were associated with the funding and LAVC will perform a desk audit if the LACCD threshold is reached. These processes will be performed annually.

Thank you for your cooperation.

Sincerely,



Los Angeles Valley College

Sub-recipient Organization	
Prime Award Number	

SUB-RECIPIENT A-133 PRE-QUALIFYING AUDIT QUESTIONNAIRE

OMB Circular A-133 requires monitoring of sub-recipients receiving Federal financial assistance under prime awards to Los Angeles Valley College. The purpose of this questionnaire is to help us determine the status of your organization's compliance with the main Federal requirements which follow Federal assistance funds. The following questions should be answered by the Independent Auditor (CPA) or Chief Financial Officer of your organization.

AUDIT STATUS:

The Sub-recipient agrees to comply with the required financial and compliance audits in accordance with: A-133 Audit Status: <http://www.whitehouse.gov/sites/default/files/omb/circulars/a133/a133.pdf>

Please answer the following.

Sub-recipient **DOES** receive an annual audit in accordance with OMB Circular A-133? Y N.

Most recent fiscal year completed: _____.

Were there any audit findings reported? _____. If "Yes", explain below:

Note: Before sub-award is issued, a complete copy of the most recent audit report must be provided to Los Angeles Valley College. All findings must be resolved within six months of issuance as required by 29 CFR Part 95.26 and OMB circular A-133 Subpart D. 400 (d).

Sub-recipient **DOES NOT** receive an annual audit in accordance with OMB Circular A-133.

Sub-recipient is a: Non-profit, Foreign entity, For-profit, Government entity? (circle one).



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Note: If a sub-recipient **does not** receive an A-133 audit, you are required to complete the following Audit Questionnaire before a sub-award will be issued.

THRESHOLD QUESTIONS

1. Is your organization exempt from both OMB Circulars A-128 and A-133?

YES NO

(If yes, please indicate the reason. Once you have explained your answer, you have completed this questionnaire and no further responses are needed. The sub-award, if issued, will be written as a procurement contract.)

2. Is your organization currently monitored by a cognizant Federal agency that applies the A-128 or A-133 requirements?

YES NO

(If yes, please indicate the cognizant agency and a means of verification in your response. Once this is done, you have completed this questionnaire and no further responses are needed. The cognizant agency is responsible for assuring your organization's compliance with Federal audit requirements.)

GENERAL INFORMATION

3. Does your organization have its financial statements reviewed by an independent public accounting firm?

YES NO

If yes, please enclose a copy of your most recent audited financial report with your response.

4. Has your organization ever been barred from or placed on a probation watch list by any federal agency?

If yes, please explain below.

You have now completed the Pre-Qualifying Audit Questionnaire.
Please complete the following contact information for your organization.

Name of person completing questionnaire:

Title:

Signature:

Date:



Post Award

Sub-Recipient Audit Review and Monitoring

All sub-recipients must agree to a desk audit to be performed by LAVC Financial Administrators (if the LACCD threshold is reached) to ensure that the awardee is in compliance with all required rules and regulations mandated by the funding agency. This consists of the **A-133 Comprehensive Audit Questionnaire** (see page 9). Additionally, sub-recipients will be required to submit all financial documents that were associated with the funding

If any issues arise from the desk audit, then a more comprehensive 10-step procedure will be followed (see page 16). In addition, if there are reports or observations of sub-recipient engaging in any inappropriate activities, LAVC reserves the right to perform the more comprehensive 10-step audit of the sub-recipient.

- A. If the LAVC internal audit department decides it is necessary to undertake the 10 step standard audit procedure, the sub-recipient will be notified and provided with a description of the process. A full description of this process is included on page 16 of this document and includes the following steps: Notification, Planning, Opening Meeting, Fieldwork, Communication, Report Drafting, Management Response, Closing Meeting, Report Distribution, and Follow-Up. This will include a system to ensure that all audit findings are recorded, tracked, and resolved within six months of the audit report issuance.

An audit will be performed every three years by the LACCD internal audit department.

Sub-Recipient Payment

All sub-recipients must submit detailed invoices of all work performed. Valley College will review invoice, cross-checking with performance timetable and deliverables before releasing payment.



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Sub-recipient Organization	
Prime Award Number	

SUB-RECIPIENT A-133 COMPREHENSIVE AUDIT QUESTIONNAIRE

OMB Circular A-133 requires monitoring of sub-recipients receiving Federal financial assistance under prime awards to Los Angeles Valley College. The purpose of this questionnaire is to help us determine the status of your organization's compliance with the main Federal requirements which follow Federal assistance funds. The following questions should be answered by the Independent Auditor (CPA) or Chief Financial Officer of your organization.

AUDIT STATUS:

The Sub-recipient agrees to comply with the required financial and compliance audits in accordance with: A-133 Audit Status: <http://www.whitehouse.gov/sites/default/files/omb/circulars/a133/a133.pdf>

Please answer the following.

Sub-recipient **DOES** receive an annual audit in accordance with OMB Circular A-133? Y N.

Most recent fiscal year completed: _____.

Were there any audit findings reported? _____. If "Yes", explain below:

Note: Before sub-award was issued, a complete copy of the most recent audit report was provided to Los Angeles Valley College. Sub-recipient agreed to resolve all findings within six months of issuance as required by 29 CFR Part 95.26 and OMB circular A-133 Subpart D. 400 (d).

Note: If a sub-recipient **does not** receive an A-133 audit, you are required to complete the following Audit Questionnaire as a component of the desk audit.



THRESHOLD QUESTIONS

5. Is your organization exempt from both OMB Circulars A-128 and A-133?

YES NO

(If yes, please indicate the reason. Once you have explained your answer, you have completed this questionnaire and no further responses are needed. The sub-award was written as a procurement contract.)

6. Is your organization currently monitored by a cognizant Federal agency who applies the A-128 or A-133 requirements?

YES NO

(If yes, please indicate the cognizant agency and a means of verification in your response. Once this is done, you have completed this questionnaire and no further responses are needed. The cognizant agency is responsible for assuring your organization's compliance with Federal audit requirements.)

GENERAL INFORMATION

7. Does your organization have its financial statements reviewed by an independent public accounting firm?

YES NO

If yes, please enclose a copy of your most recent audited financial report with your response.

8. Has your organization ever been barred from or placed on a probation watch list by any federal agency?

If yes, please explain below.

9. Are duties separated so that no one individual has complete authority over an entire financial transaction?

YES NO

10. Does your organization have controls to prevent expenditure of funds in excess of approved, budgeted amounts?

YES NO

11. Other than financial statements, has any aspect of your organization's activities been audited within the last two years by a governmental agency or independent public accountant?

YES NO

If yes, please explain.

CASH MANAGEMENT

8. Are Federal funds deposited in a separate bank account or accounted for through grant-loan fund control accounts?

YES NO

9. Are all disbursements properly documented with evidence of receipt of goods or performance of services?

YES NO

10. Are all bank accounts reconciled monthly?

YES NO



PAYROLL

11. Are payroll charges checked against program budgets?

YES NO

12. What system does your organization use to control paid time, especially time charged to sponsored agreements?

PROCUREMENT

13. Are there procedures to ensure procurement at competitive prices?

YES NO

If "Yes", please explain the procedures below.

14. Is there an effective system of authorization and approval of:

Capital equipment expenditures? YES NO

Travel expenditures? YES NO

PROPERTY MANAGEMENT

15. Are detailed records of individual capital assets kept and periodically balanced with the general ledger accounts?

YES NO

16. Are there effective procedures for authorizing and accounting for the disposal of property and equipment?

YES NO

17. Are detailed property records periodically checked by physical inventory?

YES NO

18. Briefly describe the organization's policies concerning capitalization and depreciation.

COST TRANSFERS

19. How does the organization ensure that all cost transfers are legitimate and appropriate?

INDIRECT COSTS

20. Does the organization have an indirect cost allocation plan or a negotiated indirect cost rate? Please check one below:

indirect cost allocation plan negotiated indirect cost rate

If either is selected, please provide documentation to support your answer.



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COMPLIANCE

21. Does your organization engage in any lobbying or partisan political activity which is charged, directly or indirectly, to a federally-assisted program?

YES NO

22. Does your organization have a formal policy of nondiscrimination and a formal system for complying with Federal civil rights requirements?

YES NO

23. Does your organization receive cash advances or reimbursement for program expenditures?

YES NO

A. If the program is on a cash advance basis, what procedures are in place to minimize the time elapsed between the transfers of funds and the disbursements of those funds?

B. If the program is on a reimbursement basis, what procedures are in place to ensure that reimbursement is requested after expenditures have been paid?

24. Is your organization familiar with Federal financial reports so that they will be completed in an accurate and timely manner when required?

YES NO

25. Under which program(s), if any, does your organization receive Federal student financial assistance funds (FSFAS)?

YES. Please list programs below. NO, we do not receive any FSFAS.

26. What was the dollar volume of Federal awards to your organization during the last fiscal year?

Name of person completing questionnaire:

Title:

Signature:

Date:



10 Step Audit Procedure

Notification

A letter will be sent informing your organization of an upcoming audit. The auditor will send you a preliminary checklist. This is a list of documents (e.g. organization charts, financial statements) that will help the auditor learn about your unit before planning the audit.

Planning

Upon review of the information, the auditor will plan the review, identify key risks and raise risk awareness, draft an audit plan, and schedule an opening meeting.

Opening Meeting

The opening meeting should include senior management and any administrative staff that may be involved in the audit. During this meeting, the scope of the audit will be discussed. You should feel free to ask the auditors to review areas that you are concerned about. The time frame of the audit will be determined, and you should discuss any potential timing issues (e.g. vacations, deadlines) that could impact the audit.

Fieldwork

After the opening meeting, the auditor will finalize the audit plan and begin fieldwork. Fieldwork typically consists of talking with staff, reviewing procedure manuals, learning about your business processes, testing for compliance with applicable college policies and procedures and laws and regulations, and assessing the adequacy of internal controls. You should make your staff aware that the auditor will be scheduling meetings with them.

Communication

Throughout the process, the auditor will keep you informed, and you will have an opportunity to discuss issues noted and the possible solutions.

Report Drafting

After the fieldwork is completed, the auditor will draft a report. The report consists of several sections and includes: the distribution list, the follow-up date, a general overview of your unit, the scope of the audit, any major audit concerns, the overall conclusion, and detailed commentary describing the findings and recommended solutions. You should read the draft report carefully to make sure there are no errors. If you find a mistake, inform the auditor right away so that it can be corrected before the final report is issued.

Management Response

Once the report is finalized, we will request your management responses. The response consists of 3 components: whether you agree or disagree with the problem, your action plan to correct the problem, and the expected completion date.

Closing Meeting

A closing meeting will be held so that everyone can discuss the audit report and review your management responses. This is an opportunity to discuss how the audit went and any remaining issues.

Report Distribution

The report is then distributed to you, your manager(s), senior college administrators, internal audit, and the college's external auditors. We also distribute an audit survey to the audited unit to solicit feedback about the audit. Feedback is important to us, since it can help us improve the audit process.

Follow-Up

Follow-up reviews are performed on an issue-by-issue basis and typically occur shortly after the expected completion date, so that agreed-upon corrective actions can be implemented. The purpose of the follow-up is to verify that you have implemented the agreed-upon corrective actions. The auditor will interview staff, perform tests, or review new procedures to perform the verification. You will then receive a letter from the auditor indicating whether you have satisfactorily corrected all problems or whether further actions are necessary. If further corrective action is required, you will need to write a management response. Otherwise, the issue will be reported as resolved. All sub-recipient audit findings will be resolved within six months of the audit report issuance.