



Department of Veterans Affairs

Financial Policy

Volume X

Grants Management

Chapter 7

Grants Audit Use and Resolution

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0701 Overview

This chapter establishes Department of Veterans Affairs' (VA) financial policies regarding the use of audit reports in the award and administration of grants.

Key points covered in this chapter include:

- In compliance with 2 C.F.R. §200.501, VA will require that entities expending \$750,000 or more, in Federal awards, during the non-Federal entity's fiscal year must have a single or program-specific audit conducted for that year.
- VA will adhere to 2 C.F.R. §200 subpart F - Audit Requirements (Single Audit Act), as implemented for VA programs in 38 C.F.R. Part 49 to ensure program consistency;
- VA will use the Federal Audit Clearinghouse (FAC) and consult with OIG to conduct single audit findings in determining if a recipients' pending or continuing award will be affected in accordance with 2 C.F.R. §200.332; and
- VA is responsible for the resolution or follow up of an audit finding to include corrective actions, collections, exceptions, appeals, compromises, or programmatic issues.

0702 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Updated references throughout.	OFP (047G)	OMB released revisions to Title 2 of the C.F.R. on Federal grants.	May 2021
Various	Reformatted to new policy format.	OFP (047G)	Reorganized chapter layout	June 2019
0704 Roles and Responsibilities	Updated and streamlined roles and responsibilities	OFP (047G)	Reorganized chapter layout	June 2019
0705 Policies	Reformatted policies	OFP (047G)	Improve flow and order of information stated	June 2019
0705 Policies	Updated policy statements	OFP (047G)	Properly reflect VA's Grant Audit Use and Resolution requirements	June 2019

0703 Definitions

Auditor – a public accountant or a Federal, state, local government, or Indian tribe audit organization, which meets the general standards specified for external auditors in generally accepted government auditing standards (GAGAS).

Federal Audit Clearinghouse (FAC) – clearinghouse designated by OMB as the repository of record where a non-Federal entity is required to transmit the information required by 2 C.F.R. §200 subpart F – Audit Requirements.

Grantee – A non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program.

0704 Roles and Responsibilities

Head of the Grants Program Office (HGPO) will designate an appropriate official to serve as the audit resolution official.

Grants Program Office (GPO) is the organization reporting to the approving official that is responsible for programmatic administration of a grant, if awarded.

GPO staff are responsible for reviewing all relevant Single Audit Data Collection Forms and/or audit reports and for using the information appropriately in making funding and other decisions or recommendations related to a current or potential grant. They are also responsible for determining if there are any debts related to unallowable costs and following GPO processes in conformance with this chapter and VA Financial Policy, Volume XII, Chapter 5 – Vendor Debts to recover funds.

Office of Business Oversight (OBO) conducts reviews and performs special projects designed to evaluate and improve Department Grant Management Operations.

0705 Policies

070501 Audit Requirements

- A. In compliance with 2 C.F.R. §200.501, VA will require that entities expending \$750,000 or more, in Federal awards, during the non-Federal entity's fiscal year must have a single or program-specific audit conducted for that year.
- B. Audits must be conducted in accordance with 2 C.F.R. §200.514, except when the entity elects to have a program-specific audit conducted.
- C. The auditee may elect to have a program-specific audit under only one Federal program if the programs statutes, regulations, or terms and conditions do not require a financial statement audit. The audit will be conducted in accordance with 2 C.F.R.

§200.507.

- D. When requested by GAO the VA OIG will conduct audits of an entity not meeting the Subpart F – Audit Requirements of 2 C.F.R. §200, during the project period or within a reasonable time after the end of the project period.
- E. GPOs must ensure that the terms and conditions of the award specify that the awardee must adhere to audit requirements listed in 2 C.F.R. 200.332.
- F. GPO may also use another entity, such as OBO, to conduct reviews that evaluate grantee compliance with specific grant requirements, per 2 C.F.R. §200.503.
- G. GPOs must ensure that the award specifies the consequences of not submitting required audit reports in a timely manner.
- H. GPOs shall remind recipients—at the time of award or within a reasonable period after award, of its audit responsibilities and potential consequences of non-compliance. This is especially critical if a GPO makes an award without the ability to determine prior to award whether a single audit was required, or a required audit report was submitted to the FAC.
- I. GPOs shall contact the OIG to determine whether they or another GPO/office has audit resolution responsibility when an audit report or Single Audit Data Collection Form at the FAC identifies findings on a VA grant relevant to a GPO's grant programs.
- J. Upon transmission (issuance) of a single audit report by OIG or notification from OIG, GPOs will monitor individual grantees to ensure any audit findings are resolved. Additionally, GPOs will work with individual grantees to resolve findings from any other grant review initiated by the GPO.
- K. GPOs will adequately document the basis for the determination of a cost disallowance in the event a grantee appeals.
 - 1. Determinations of cost allowability and deficiencies in management systems resulting from audit findings must be based on the applicable statute(s), regulations, cost principles, and other terms and conditions of the award.
 - 2. Process deficiencies, e.g., the grantee did not obtain required prior approval for an otherwise allowable expenditure, should not be the sole basis for disallowing a cost (see VA Financial Policy Volume X, Chapter 5, Grants Post-Award).
- L. GPO personnel with appropriate authority will take any actions to modify a grant award(s) if necessitated by audit resolution.

070502 Use of Audit Reports in the Grants Management Process

- A. GPOs will consult the FAC website to determine if a single audit report has been submitted and whether it contains findings. The FAC is the designated receipt point in the Federal government for single audit reports in accordance with 2 C.F.R. §200.332.
- B. GPOs will consult with OIG to determine who is responsible for actions to obtain a required audit report if based on its own knowledge, or following consultation with OIG, a GPO determines that the report is delinquent.
- C. GPOs will use the most current Single Audit Data Collection Form or audit report (if there are relevant findings) when making pre-award decisions and as part of post-award monitoring.
- D. GPOs may base the results of audits to decide to not make an award, make the award using special conditions after designating the organization as “high risk,” and/or take other appropriate action, e.g., an enforcement action (see Financial Policy Volume X, Chapter 5, Grants Post-Award).
- E. GPOs may use the range of enforcement actions available under VA Financial Policy Volume X, Chapter 5 - Grants Post-Award, and may take action at any time to designate a recipient as high risk, if the GPO is deemed responsible for obtaining a delinquent audit report. GPOs may request that OBO perform a special review of a high-risk grantee.

070503 Audit Resolution and Follow Up

- A. Head of the GPO is responsible for tracking resolution of an audit finding unless the GPO designates another individual in writing.
- B. If collection of any overpayment is required to resolve audit findings, it constitutes a debt and must be collected within 90 calendar days in accordance with 2 C.F.R. §200.346. Authority to accept compromise on any amount is outlined in VA Financial Policy Volume XII. Head of the GPO must sign a letter advising the grantee of the audit findings requiring corrective action of the debt.
 - 1. The letter constitutes the final decision of the GPO and may be appealed by the recipient under VA Financial Policy Volume XII, Debt Management and 2 C.F.R. §200.342 or other applicable appeals procedures.
 - 2. The letter should be coordinated with the appropriate office within the program and with the Office of the General Counsel.
- C. GPOs have continuing responsibility for follow-up activities to collect monies as

outlined in 38 C.F.R. Parts 1.910 - 1.929, following audit resolution. If monies are due to GPO and, for management deficiencies, GPO needs to ensure that recipients take appropriate corrective action on sustained audit findings in accordance with 2 C.F.R. §200.332. These actions may include placing the recipient on the high-risk list. This responsibility continues even if the audit report covers an award(s) that expired or was terminated prior to receipt of the audit or completion of corrective action.

0706 Authorities and References

[2 C.F.R. §200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

[2 C.F.R. §200.332 Requirements for pass-through entities.](#)

[2 C.F.R. §200.342 Opportunities to Object, Hearings, and Appeals.](#)

[2 C.F.R. §200.346 Collection of amounts due.](#)

[38 C.F.R. 1.910-1.929 Standards for the Collection of Claims](#)

[Federal Audit Clearinghouse](#)

[OMB A-133, Audits of States, Local Governments and Non-Profit Organizations](#)

0707 Rescissions

OFP Volume X, Chapter 7, Grant Audit Use and Resolution, June 2019.

0708 Questions

Questions concerning these policies should be directed as shown below:

OFP OFP Accounting Policy (Outlook)