



Rural Development
Business Center

RD AN No. **4894** (2012-A)

Chief Financial Officer

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SUBJECT: Management and Monitoring of Single
Audit Non-Federal Entities - Phase 1

TO: Agency Administrators
Director of State Operations Office
State Directors
Deputy State Directors

ATTENTION: Program Directors
Administrative Program Directors

FROM: Tony Bainbridge
Chief Financial Officer

PURPOSE

This Administrative Notice (AN) is issued to provide significant guidance for the Single Audit management and monitoring process per Rural Development (RD) Instruction [2012-A](#), Audits and Investigations. This AN covers Phase 1 of RD's process over Management and Monitoring of Single Audit Awardees.

COMPARISON WITH PREVIOUS AN

There is no previous AN on this topic.

BACKGROUND

In Fiscal Year (FY) 2017, the Government Accountability Office (GAO) conducted a review of United States Department of Agriculture (USDA) RD's policies for Title 2 of the Code of Federal Regulations (referenced 2 CFR), Part 200, Subpart F, Audit Requirements. GAO issued RD three recommendations:

- Design policies and procedures to reasonably assure that all award recipients required to submit single audit reports do so in accordance with the Office of Management and Budget (OMB) guidance,
- Revise policies and procedures to reasonably assure that management decisions contain the required elements and are issued timely in accordance with OMB guidance, and
- Design and implement policies and procedures for identifying and managing high-risk and recurring single audit findings using a risk-based approach.

EXPIRATION DATE:
August 31, 2024

FILING INSTRUCTIONS:
Preceding RD Instruction 2012-A

[2 CFR 200 Subpart F](#) is the governing regulation over Single Audits and supersedes any other regulations on the matter. Governing provisions are reflected in 2 CFR 200, section 200.101(d).

Per 2 CFR 200 Subpart F, a Single Audit is required when an awardee has expended \$750,000 within their FY and meets the definition of a Non-Federal Entity (NFE). The audit must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or 9 months after the end of the awardee's fiscal yearend (FYE). The awardee must upload the audit into the Federal Audit Clearinghouse (FAC). RD has 6 months from when the audit is released by the FAC to identify and provide a management decision to any 2 CFR Part 200.515(d)(3), Findings and Questioned Costs for Federal Awards, findings that pertain to a RD program. RD must continuously monitor the risk to the Agency by identifying reoccurring findings and severity of findings.

Program-related audit findings are characterized in [2 CFR 200.516](#) as follows:

- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs,
- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program,
- (3) Known questioned costs that are greater than \$25,000,
- (4) Known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards, and/or
- (5) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.

Note: All Single Audits should be obtained from the FAC. Single Audits should not be requested directly from the awardee.

STANDARD DEFINITIONS

- Refer to [2 CFR 200.1 for regulation definitions](#)
- Case File: RD's official file where awardee documents are stored. This may be a physical file in the office or online repository based on the current process for the state or program.

IMPLEMENTATION RESPONSIBILITIES

The Office of Compliance (OC) developed the following new processes for compliance with 2 CFR 200 Subpart F:

- (1) A process to identify potential awardees subject to a Single Audit,
- (2) A risk rating system for Single Audits with findings, and
- (3) A Management Decision Letter template for issuance to the awardee.

Effective **30 days from AN date**, the OC staff will work in conjunction with the Agency Administrators' designated Program Point of Contact (POC) to implement the new Single Audit procedures. The Program POC will coordinate with the State or National Offices for assistance on deliverables depending on whether the awardee is administered at the National or State/Field Offices level.

Single Audit Procedures:

- (1) Populate missing Awardee's FYE and Organization Type (Also known as Type of Applicant or Legal Classification),
- (2) Prepare and issue Management Decision Letter based on Program Related Findings to Awardee, and
- (3) Research Delinquent Single Audits.

Populate Missing Awardee's FYE and Organization Type (Also known as Type of Applicant or Legal Classification)

OC Responsibility:

The OC will pull disbursement reports from the various accounting systems monthly. To properly identify if a RD awardee has reached the \$750,000 threshold and meets the definition of a NFE, the FYE and Organization Type is required. The OC will obtain the FYE and Organization Type from the application or accounting systems. When the FYE and Organization Type are not available, the request is sent to the Program POC to obtain the missing information.

Program POC Responsibility:

- 1) Review the report to determine the State or National Offices for each account.
- 2) Separate the report by State or National Offices.
 - A. Send the report to the State Program Director if the awardee is administered by the State Offices.
 - B. Send the report to the appropriate program staff in the National Office if the awardee is administered by the National Office.

State or National Offices Responsibility:

- 1) Research the missing FYE and Organization type in the awardee's application / case file.
- 2) Fill in the missing information on the report.
- 3) Update the appropriate systems with missing information.
- 4) Return completed report to the Program POC.

Program POC:

- 1) Consolidate the results.
- 2) Return consolidated report to the OC.

Complete Management Decision Letter based on Program Related Findings

OC Responsibility:

The OC will download the audits from the FAC and conduct a review of the awardee's Single Audit and Schedule of Findings and Questioned Costs. The OC will evaluate and assign an overall risk rating on the audit and provide comments or recommendations through a memorandum to the Program POC. The memorandum from the OC will clearly state whether a Management Decision Letter (MDL) is required or if any audit findings or recommendations were made.

Program POC Responsibility:

- 1) Review the memorandum from OC to determine the (State or National Offices).
- 2) Send the memorandum to the State Program Director, if an Awardee is administered in the State Office:
- 3) Send the memorandum to the appropriate program staff in the National Office, if an Awardee is administered in the National Office:

State or National Offices Responsibility:

- 4) If an MDL is required:
 - A. Prepare the MDL using the [template](#).
 - i. The MDL must include the following:
 1. Program-related finding.
 2. A statement regarding whether the corrective action to resolve the findings are sufficient or if additional actions are needed by the awardee.
 3. If additional actions are needed, the State or National POC must work with the awardee to determine the additional corrective actions and the timeline for completion.
 - B. Route the MDL to the Approving Official for signature.
 - C. Mail the signed MDL to the awardee.
 - D. Email the signed MDL to the Program POC.
 - E. Save a copy of the signed MDL in the case file.

Note: If an MDL has already been issued to the awardee addressing these findings, there is no need to send another letter. Please disregard steps 4A through 4C and follow steps 4D and 4E.

- 5) If an MDL is not required:
 - A. Review the recommendations provided by the OC to determine if other actions may be needed.
 - B. Save the memorandum in the case file.

Program POC Responsibility:

- 6) Email the signed MDL to the OC.

Note: The MDL must be issued to the awardee and the OC within 3 months of receipt from the OC memorandum. A copy of the MDL template can be found by clicking the link ([Attachment A](#)).

Research Delinquent Single Audits

OC Responsibility:

Quarterly, the OC will reconcile the Single Audits received to the Single Audits required to determine if there are delinquent Single Audits. Delinquent Single Audits are identified as such when 9 months have elapsed from an awardee's FYE.

Program POC Responsibility:

- 1) Review the delinquent single audit report to determine the servicing office (State or National Offices) for each account.
- 2) Separate the report by servicing office (State or National Offices).
- 3) Send the report with delinquent Single Audit account to the State Program Director, if an Awardee is administered in the State Office.
- 4) Send the report with delinquent Single Audit account to the appropriate National Office program staff, if an Awardee is administered in the National Office.

State or National Office Responsibility:

- 5) Notify the awardee of the past due Single Audit submission, requesting a status.
- 6) Request the awardee to submit the Single Audit to the FAC if a Single Audit has been conducted but not uploaded in FAC.
 - A. If the awardee has not completed or scheduled a Single Audit, request that a Single Audit be completed and then submitted to FAC.
- 7) Update the delinquent report with the awardee's status, forward any Single Audits received and submit the report to the National Office POC.

Program POC Responsibility:

- 8) Consolidate the results into one report and submit the consolidated report and any Single Audits received to OC.

REQUIRED DOCUMENTATION

The RD staff must ensure the MDL is placed in the official case file. All documents may be electronic or hard copy as appropriate.

Questions regarding this AN may be directed to Michelle Bransford, Staff Accountant, Technical Accounting Review Branch, External Compliance Division, at Michelle.Bransford@usda.gov and Stephanie Nahm, Lead Accountant, Program Internal Control Branch, Internal Compliance Division, at Stephanie.Nahm@usda.gov.

Sent by Electronic Mail on _____ at _____ by the Office of Compliance, Internal Compliance Division, St. Louis, Missouri. Agency Administrators, State Directors, and Associate Enterprise Directors should advise other personnel as appropriate.

Attachment

Attachment A: Management Decision Letter Template

DATE: Month, XX, XXXX
TO: [Awardee/Awardee's info],
FROM: [Program Administrator/Program Director/POC Info]
SUBJECT: Rural Development Single Audit Management Decision Letter (MDL)

In accordance with the Office of Management and Budget's (OMB) Uniform Guidance (UG) Title 2 of the Code of Federal Regulations, Part 200 (2 C.F.R. 200), the [Program Area Name (abbreviation)] has reviewed the [Awardee, Awardee or Business Name's] Single Audit for Fiscal Year (FY) ending [Month] [XXXX]. As stated in OMB UG 2 CFR 200.521 we are required to issue a Management Decision whether the corrective actions taken to correct the audit findings were sustained.

[We have concluded that the corrective actions taken by [Awardee, Awardee or Business Name's] resolve the Audit Finding(s) listed below. These findings are sustained, and no further action is required for FY [XXXX].]

Or

[We have concluded that the corrective actions taken by [Awardee, Awardee or Business Name's] does not resolve the Audit Finding(s) listed below. Additional information can be found in the Additional Corrective Actions Needed field.]

(1 finding per table - add more if needed)

Finding Number	
CFDA	
Finding Description	
Corrective Action	
Additional Corrective Actions Needed or Repayment of disallowed costs (remove if not applicable)	

If you have any questions, please contact the [Program Abbreviation] POC, [POC Name] at [POC Email address] or [POC Phone number].