

GAO Highlights

Highlights of [GAO-17-159](#), a report to congressional requesters

Why GAO Did This Study

In fiscal year 2015, federal agencies outlaid over \$600 billion in federal awards to state and local governments, according to OMB. The Single Audit Act of 1984, as amended, requires that federal agencies oversee their awards to nonfederal entities. OMB Circular No. A-133 provided guidance for implementing the act during GAO's audit.

GAO was asked to examine federal agency oversight of single audits. This report examines whether selected agencies effectively designed policies and procedures to reasonably assure that (1) recipients submit timely single audit reports and (2) award recipients take action on single audit findings by issuing timely management decisions. GAO also examined whether selected agencies had policies and procedures for managing high-risk and recurring audit findings. GAO selected the five agencies with the largest dollar amounts of reported outlays for grants to state and local governments in fiscal year 2013. For each agency, GAO reviewed its two subagencies accounting for over 80 percent of outlays, reviewed written policies and procedures, and interviewed the respective officials.

What GAO Recommends

GAO is making 21 recommendations. One Agriculture subagency agreed with the recommendations and the other did not comment. HHS and Transportation concurred. HUD commented that one subagency had taken actions to address the recommendations, while the other subagency disagreed with the recommendations directed to it. GAO believes that the recommendations are valid as discussed in the report.

View [GAO-17-159](#). For more information, contact Beryl H. Davis at (202) 512-2623 or davisbh@gao.gov.

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SINGLE AUDITS

Improvements Needed in Selected Agencies' Oversight of Federal Awards

What GAO Found

Federal agencies have oversight responsibilities for the funds that they award to nonfederal entities and can assign these responsibilities to their subagencies (i.e., operating units or divisions). Nonfederal entities are required to undergo a single audit if their expenditures of federal awards in a fiscal year exceed a certain threshold. A single audit is an audit of the award recipient's expenditure of federal awards and of its financial statements and can identify deficiencies in the award recipient's compliance with the provisions of laws, regulations, contracts, or grant agreements and in its financial management and internal control systems. Correcting such deficiencies can help reasonably assure the effective use of federal funds and reduce federal improper payments.

Of the five agencies in GAO's study—the Departments of Agriculture, Education, Health and Human Services (HHS), Housing and Urban Development (HUD), and Transportation—some of the agencies' subagencies that GAO reviewed did not effectively design policies and procedures to reasonably assure the timely submission of single audit reports by award recipients. The Office of Management and Budget's (OMB) guidance requires that federal awarding agencies ensure that award recipients submit single audit reports within certain time frames. This can help assure that single audit findings are timely corrected.

Most of the selected subagencies in GAO's review did not effectively design policies and procedures to reasonably assure that they issued timely management decisions containing the information required by OMB guidance. This guidance requires agencies to evaluate each award recipient's audit findings and corrective action plans and issue a management decision within 6 months of receipt of the single audit report as to the actions award recipients must take to correct each single audit finding. Such decisions may add clarity about the agency's position on the single audit finding and the corrective action.

Assessment of Selected Subagencies' Policies and Procedures for Single Audit Oversight

Agency	Selected sub-agencies designed policies and procedures to reasonably assure that:	
	Award recipients submitted timely single audit reports as required	Subagencies prepared and timely issued management decisions as required
Agriculture	✗	✗
Education	✓	✓
Health and Human Services	✗	✗
Housing and Urban Development	✓	✗
Transportation	✓ *	✗

✓ The policies and procedures were effectively designed for both subagencies.
 ✗ The policies and procedures were not effectively designed for both subagencies.
 ✓ * One subagency's policies and procedures were effectively designed and the other was not.

Source: GAO analysis. | GAO-17-159

Only the two selected subagencies in Education had policies and procedures for using risk-based approaches to manage high-risk and recurring single audit findings. High-risk single audit findings may be seriously detrimental to federal programs and could result in improper payments. Recurring single audit findings have persisted for more than one audit period and may need more attention or resources to correct. With over 30,000 single audit reports submitted for fiscal year 2015 and constraints in resources for conducting federal oversight, managing single audit findings using a risk-based approach can assist in identifying and prioritizing problem areas.