



June 1, 2020

Thomas J. Pare, Partner
Hession & Pare, P.C.
62 Stark Street
Manchester, New Hampshire 03101-1970

Dear Mr. Pare:

Attached is the quality control review (QCR) of the audit of Northeastern Regional Association of Coastal Ocean Observing Systems as of and for the year ended September 30, 2018. The single audit was performed by your firm, Hession & Pare, P.C. On our behalf, McBride, Lock & Associates, LLC, performed this QCR to determine whether the audit report complied with reporting requirements of the Single Audit Act of 1984, as amended in 1996. The single audit report was performed using generally accepted auditing standards published by the American Institute of Certified Public Accountants and generally accepted government auditing standards issued by the U.S. Government Accountability Office.

Please see the attached review performed by McBride, Lock & Associates, LLC, for further details on the QCR's scope and methodology.

The QCR concluded that, except for the matters discussed below, the single audit met audit standards.

The QCR identified an issue related to certain audit testing of allowable costs and activities. In reviewing the efforts, it was not evident that the tests performed were adequate to ensure that the control processes, risk assessment, and testing of the established controls ensure compliance with program requirements regarding allowable costs and activities which were incurred. Additionally, the structure of the audit compliance review did not consider the organization's monitoring control process or an assessment of risk of that process to ensure that the oversight of the subrecipients—who expend 83 percent of federal expenditures for the major program—is adequate. The review of the subrecipient monitoring process did not include a review of the monitoring process, including (1) an assessment of risk to ensure appropriate use of federal funds and (2) a review by the auditor to determine that it is functioning as stated. The formal response provided by your firm to McBride, Lock & Associates, LLC, is included as part of the QCR report for the issues identified. In general, your firm agreed with the review, and also agreed to

1. documenting testing of allowable cost and activities in the current period; and
2. testing and reviewing the subrecipient's financial results and technical reports submitted to ensure subrecipient monitoring is performed in accordance with uniform guidance requirements.

This letter, as well as the McBride, Lock & Associates, LLC, QCR, will appear on the Office of Inspector General website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 8M).

We appreciate the cooperation and courtesies your staff extended to McBride, Lock and Associates, LLC, during the QCR. Please direct any inquiries regarding this report to me at (202) 482-2877 or Belinda Riley, Supervisory Auditor, at (404) 730-2067.

Sincerely,



Richard Bachman
Assistant Inspector General for Audit and Evaluation

Attachment

cc: John Trowbridge, President, Board of Directors, Northeastern Regional Association of Coastal Ocean Observing Systems
J. Ru Morrison, Executive Director, Northeastern Regional Association of Coastal Ocean Observing Systems
Barry Berkowitz, Senior Procurement Executive and Director of the Office of Acquisition Management, Department of Commerce
John Geisen, Director, Financial Assistance Policy and Oversight Division, Department of Commerce
Arlene Simpson Porter, Director, Grants Management Division, NOAA
Brian Doss, Acting Audit Liaison, NOAA
Lisa Lim, Alternate Audit Liaison, NOAA
MaryAnn Mausser, Audit Liaison, Office of the Secretary

**QUALITY CONTROL REVIEW
Of
HESSION & PARE, PC**

**On the Audit of
Northeastern Regional Association of Coastal Ocean Observing Systems
for the year ended September 30, 2018**

McBRIDE, LOCK & ASSOCIATES, LLC

**CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY**

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McBRIDE, LOCK & ASSOCIATES, LLC

Certified Public Accountants

January 16, 2020

Mr. Tom Pare
Hession & Pare, PC
62 Stark Street
Manchester, New Hampshire 03101

Subject: Quality Control Review of the Northeastern Regional Association of Coastal Ocean Observing Systems for the year ended September 30, 2018

Dear Mr. Pare,

The purpose of this letter is to confirm discussions with you on January 9, 2020 regarding the major issues identified during our quality control review. Our Quality Control Review (QCR) was performed on of the audit of Northeastern Regional Association of Coastal Ocean Observing Systems (NERACOOS) as of and for the year ended September 30, 2018 performed by Hession & Pare, PC in accordance with generally accepted auditing standards published by the American Institute of Certified Public Accountants and generally accepted government auditing standards issued by the Government Accountability Office.

Scope of Services

The objective of our review was to perform a QCR:

1. To determine whether the financial statement audit work, compliance audit work, and the associated review of internal controls over both financial reporting and compliance were conducted in accordance with applicable standards, including GAGAS and the published guidance of the OIG, the American Institute of Certified Public Accountants standards as well as Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and including its Compliance Supplement.
2. To identify any issues that may require additional attention or any additional audit work by the Independent Public Accountant who performed the audit.

Methodology

We performed our review using the *Guide for Quality Control Reviews of Single Audits* (the “Guide”) issued by the Council of Inspectors General on Integrity and Efficiency (2016 Edition). In performing the review we met with the engagement partner and obtained supporting audit workpapers. Prior to initiating efforts, the Commerce-OIG provided the audit report to be reviewed.

Overview of Procedures Performed and Related Findings

We reviewed the audit report issued on Northeastern Regional Association of Coastal Ocean Observing Systems as of and for the year ended September 30, 2018. We reviewed the audit report, using the Guide, to ensure that it included and met the requirements of Government Auditing Standards, the standards for financial audits issued by the AICPA, and Uniform Guidance. We reviewed the audit workpapers using the Guide and the evidence documented in the audit workpapers. In each area, we evaluated whether or not the testing performed, results documented, financial statements presented, and findings reported were consistent with and supported the independent accountants report identified in the first paragraph of this report.

Results

Review of Allowable Costs and Activities

The auditor determined that Cash Management, Reporting and Subrecipient Monitoring were the direct and material compliance requirements of the major programs. However, the auditor did not determine that Allowable Costs and Activities were direct and material to the organization’s major programs. The following represents the total Federal expenditures of each of the major programs and the amount passed through to subrecipients.

| <u>CFDA Number</u> | <u>Total Federal Expenditures</u> | <u>Passed Through to Subrecipients</u> |
|--------------------|-----------------------------------|--|
| 11.012 | \$2,626,262 | \$2,117,846 |
| 11.473 | 373,794 | 369,794 |
| 11.017 | 2,122 | 2,122 |

Subrecipient pass through amounts represented 83% of program expenditures during the year. The auditor indicated that certain testing of allowable costs were considered in the Cash Management efforts performed. In reviewing those efforts it was not evident that these efforts were adequate to ensure that the control processes, risk assessment and testing of the established controls ensure compliance with program requirements regarding allowable costs which were incurred by NERACOOS.

Review of Subrecipient Monitoring

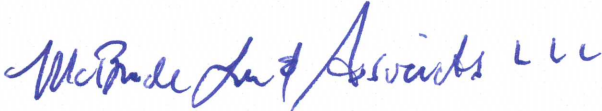
The auditor’s efforts pertaining to subrecipients provided assurance that the organization had received all necessary documentation from the subrecipient prior to payment. This documentation was compared to the subaward agreement to review terms and conditions. The payment was also reviewed to ensure allowable costs. The structure of the compliance review did not, however, consider the organization’s monitoring control processes or an assessment of risk of that process

to ensure that the oversight of the subrecipients, who expend 83% of the Federal expenditures for the major program, is adequate. The auditor indicated that the subrecipients are major academic institutions who would have Single audits performed.

The subrecipient monitoring process should include a review of the monitoring processes including an assessment of risk to ensure appropriate use of the Federal funds and a review by the auditor to determine that it is functioning as stated.

Based upon our review, we believe that the audit currently meets the standards set forth by generally accepted auditing standards, Government Auditing Standards and the requirements of Uniform Guidance and its Compliance Supplement, except as noted.

Very truly yours,



McBride, Lock & Associates, LLC

RESPONSE BY CPA

Quality Control Review
Northeastern Regional Association
Of Coastal Observing Systems

Allowable costs and activities:

Auditor response

Auditor does agree testing of allowable costs and activities were not documented to ensure compliance with program requirements. However, it was noted 70% of the direct costs incurred by NERACOOS relate to wages and related benefits which is an allowable program cost under the federal grant awards. Testing of wages and related benefits was performed as part of the financial audit during our review of controls and personnel files. During the fiscal year 2019, the auditor will document testing of allowable costs and activities in accordance with the Uniform Guidance.

Subrecipient monitoring:

Auditor response

Approximately 60% of federal funds awarded to subrecipients are affiliated with major academic institutions and considered related party transactions. These subrecipients hold representation on the Board of Directors of NERACOOS and certain members have been assigned as the principal investigator of the federal program. Auditor has considered this relationship to contribute in the monitoring process of subrecipients.

Internally it was noted subrecipient monitoring was performed by NERACOOS upon review of subrecipients' financial results against grant budget; submission of technical reports by subrecipients and annual training and/or meeting with each individual i.e. principal investigator assigned to each federal program. During fiscal year 2019, the auditor will test and review the subrecipients' financial results and technical reports submitted to ensure subrecipient monitoring is performed in accordance with the Uniform Guidance.

CONCLUSION

CONCLUSION

The conclusion is based on our review of the auditor's workpapers provided, the exit conference held on January 16, 2020 and the auditor's response.

Review of Allowable Costs and Activities

The auditor generally concurs with the comment and provides that additional audit efforts were considered that relate to wages and related benefits. The auditor also agrees to document testing of allowable costs and activities in the current period audit. The corrective action does not resolve any audit deficiencies that may have existed during the audit being reviewed.

No modification is made to this finding as initially stated.

Review of Subrecipient Monitoring

The auditor notes in the response that that 60% of federal funds awarded to subrecipients were major academic institutions who are members of the Board of Directors. Clarification and documentation of the relationship, controls over subrecipients monitoring and risk assessment are needed to ensure appropriate audit efforts of this compliance area.

No modification is made to this finding as initially stated.

Conclusion

We conclude that the audit of the Northeastern Regional Association of Coastal Observing Systems for the year ended September 30, 2018 met the standards set forth by generally accepted auditing standards, *Government Auditing Standards*, and the requirements of Uniform Guidance, except as noted.