



October 23, 2023

MEMORANDUM FOR: Jeremy Pelter
Deputy Assistant Secretary for Administration, performing the
non-exclusive functions and duties of the Chief Financial Officer
and Assistant Secretary of Commerce for Administration
U.S. Department of Commerce

Craig Buerstatte
Deputy Assistant Secretary for Regional Affairs
U.S. Economic Development Administration

Jannet Cancino
Grants Management Division Director
National Institute of Standards and Technology

Arlene S. Porter
Grants Management Division Director
National Oceanic and Atmospheric Administration

FROM: Richard Bachman
Assistant Inspector General for Audit and Evaluation

SUBJECT: *The Bureaus Are Resolving Single Audit Findings, but the Department
and Bureaus Need to Update Their Single Audit Resolution Policies*
Final Report No. OIG-24-003-I

This report provides the results of our evaluation of the U.S. Department of Commerce's process for addressing findings and recommendations identified in single audit reports related to departmental programs. Our objective was to determine whether the Department's oversight of its grantees is sufficient to ensure selected findings identified in single audit reports are mitigated and recommendations are resolved within the required timeframe.

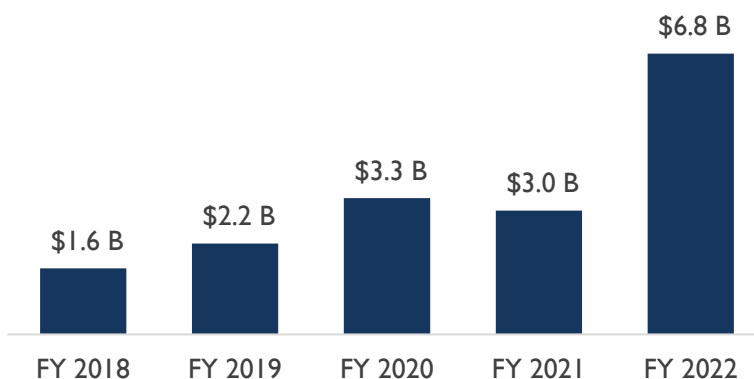
We found that bureaus are mitigating and resolving single audit findings, but improvements can be made to ensure compliance with federal requirements. The Department's response of October 6, 2023, concurred with our findings and recommendations.

Pursuant to Department Administrative Order 213-5, please submit to us an action plan that addresses the recommendations in this report within 60 calendar days. This final report will be posted on the Office of Inspector General's website pursuant to the Inspector General Act of 1978, as amended (5 U.S.C. §§ 404 & 420).

Background

From fiscal year (FY) 2018 to FY 2022, financial assistance awards made by the Department and its grant-awarding bureaus increased from \$1.6 billion to \$6.8 billion (see figure 1). These awards were made to nonfederal entities, such as educational institutions, for-profit and nonprofit organizations, and state and local governments.

Figure 1. Department Grant Awards More Than Quadrupled Between FY 2018 and FY 2022 (dollar amounts in billions)



Source: OIG analysis of USAspending.gov data

Under the Code of Federal Regulations’ “Uniform Guidance” for federal awards,¹ any nonfederal entity that expends \$750,000 or more in federal funds during its fiscal year must undergo a single audit²—a comprehensive audit of the entity’s financial statements and federal programs. The auditor conducting the single audit expresses an opinion on the entity’s financial statements, internal controls, and compliance with applicable federal laws, regulations, and program requirements. The auditor reports its findings to the entity, and the report is submitted to an online repository, the Federal Audit Clearinghouse (FAC).

The Department is responsible for reviewing its grantees’ single audit reports and ensuring the audit findings are mitigated and recommendations resolved.³ This includes communicating management decisions⁴ on the adequacy of corrective action plans the grantees propose to address single audit findings.

¹ 2 C.F.R. part 200, *Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards*.

² 2 C.F.R. part 200.501(c) states an entity can choose a program-specific audit if it expends federal awards under only one federal program (excluding research and development) and if a financial statement audit is not required.

³ 2 C.F.R. part 200(F).

⁴ According to 2 C.F.R. part 200.1, “*Management decision* means the [f]ederal awarding agency’s or pass-through entity’s written determination, provided to the auditee, of the adequacy of the auditee’s proposed corrective actions to address the findings, based on its evaluation of the audit findings and proposed corrective actions.”

The Department’s Financial Assistance Policy and Oversight Division is required to use the single audit process to reduce improper payments, improve federal program outcomes, and ensure each bureau complies with federal requirements. As part of its oversight, the Division has developed the *Grants and Cooperative Agreements Manual* (dated April 20, 2021), which sets forth the Department’s guidance on administering federal awards and provides a uniform set of minimum procedures to govern the award lifecycles.

Seven of the Department’s bureaus award grants, and the Division relies on three bureaus to oversee the grant funds (see table I). Each oversight bureau must comply with Uniform Guidance, the *Grants and Cooperative Agreements Manual*, and its own policies and procedures.

Table I. Bureaus with Grant Oversight and Award Responsibilities

This bureau . . .	Oversees grants made by . . .
National Oceanic and Atmospheric Administration (NOAA)	NOAA International Trade Administration Minority Business Development Administration National Telecommunications and Information Administration (NTIA) U.S. Census Bureau
National Institute of Standards and Technology (NIST)	NIST NTIA
Economic Development Administration (EDA)	EDA

Source: OIG analysis

According to information obtained from the FAC, as of June 27, 2023, the Department’s grantees that submitted single audits expended \$8.7 billion in direct funds (awards received directly from the Department) from FY 2019 through FY 2022, of which \$5.4 billion was audited as major programs. Our evaluation focused on federal findings from FY 2022. See appendix A for our scope and methodology.

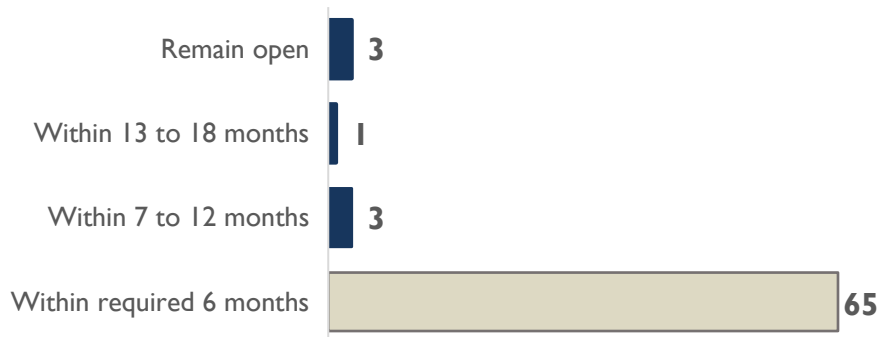
Bureaus Are Resolving Single Audit Findings, but Improvements Can Be Made to Ensure Compliance with Federal Requirements

We reviewed all 72 FY 2022 federal findings related to entities for which the Department provided the predominant amount of direct funding or the finding was specific to the

Department. We found that bureau officials generally mitigated single audit findings and issued management decisions. However, management decisions were not always issued within 6 months of the FAC’s acceptance of the audit report, as required by Uniform Guidance.⁵

Figure 2 shows how long bureaus took to issue management decisions. All seven management decisions not issued within the required 6 months pertained to EDA.

Figure 2. Seven of 72 Management Decisions Were Not Issued Within 6 Months



Source: OIG analysis

We also found that officials did not ensure management decisions contained the required Uniform Guidance content. For example, management decisions did not always include

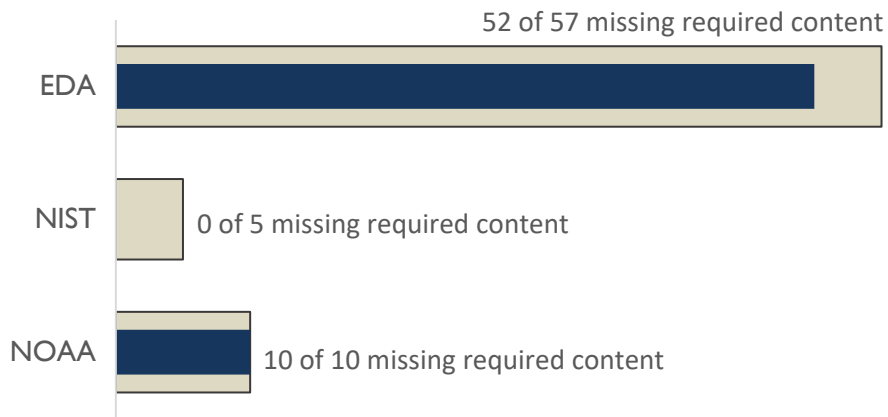
- a clear statement of whether the audit finding is sustained, the reasons for the decision, and the grantee’s expected action (such as repaying disallowed costs or making financial adjustments);
- a timetable for following up with a grantee if the grantee has not completed a corrective action; and
- the reference numbers the auditor assigned to each audit finding.⁶

Figure 3, on the next page, summarizes the bureaus’ decisions that were missing the Uniform Guidance-required content. We found that 91 percent of EDA’s management decisions and 100 percent of NOAA’s management decisions did not comply with Uniform Guidance.

⁵ 2 C.F.R. § 200.521(a), (d), (e).

⁶ 2 C.F.R. § 200.521(a), (d), (e).

Figure 3. Almost All of EDA’s and NOAA’s Management Decisions in Our Review Did Not Contain Required Content



Source: OIG analysis

After reviewing the Uniform Guidance and the policies and procedures of the Department, EDA, NIST, and NOAA, we determined these compliance issues occurred because policies were not clear, current, or compliant with Uniform Guidance. Examples follow:

- The Department’s *Grants and Cooperative Agreements Manual*⁷ provides general guidance for handling audit resolution and requires the bureaus to comply with Department Administrative Order (DAO) 213-5, *Audit and Evaluation Resolution and Follow-up*, dated May 22, 2015. However, DAO 213-5 was updated in January 2022 and no longer refers to single audits.
- The bureaus’ policies and procedures do not provide clear guidance on documenting management decisions. To illustrate:
 - EDA’s policies and procedures allow officials to communicate management decisions through email or phone call. However, the policies and procedures do not include specific Uniform Guidance language that is required to be included in the management decision, such as a clear statement of whether the audit finding is sustained or a timetable for following up if the grantee has not completed corrective actions.
 - NIST’s policies and procedures require officials to submit management decisions. However, the policies and procedures do not include specific Uniform Guidance language that is required to be included in the management decision.
 - NOAA’s policies and procedures allow officials to communicate management decisions through email or phone call, and state that if a corrective action plan is not acceptable, certain types of findings, such as questioned costs of over

⁷ Department of Commerce. *Grants and Cooperative Agreements Manual*, April 20, 2021. Chapter 13, Audits; D. “Audit Resolution I.”

\$25,000, should be handled with a management decision. However, the policies and procedures do not include specific Uniform Guidance language that is required to be included in the management decision.

Not updating internal policies to reflect the latest Uniform Guidance requirements increases the risk that award recipients are not meeting their audit-finding-related responsibilities in an appropriate and timely manner. This increases the risk of improper payments and inadequate federal program outcomes. With the Department receiving an additional \$48.2 billion in federal funding under the Infrastructure Investment and Jobs Act and another \$50 billion to revitalize the U.S. semiconductor industry, the need to reduce these risks becomes even more urgent.

Recommendations

1. We recommend that the Deputy Assistant Secretary of Commerce for Administration direct the Senior Procurement Executive and Director of Acquisition Management to update the *Grants and Cooperative Agreements Manual* by removing outdated references and emphasizing Uniform Guidance requirements.
2. We recommend that the Deputy Assistant Secretary for Regional Affairs of EDA, the Grants Management Division Director of NIST, and the Grants Management Division Director of NOAA review and revise their respective policies and procedures to comply with the Uniform Guidance that management decisions are issued within the 6-month deadline and contain the required content.

Summary of Agency Response to Draft Report

In response to our draft report, the Department, EDA, NIST, and NOAA concurred with our recommendations and described in general terms the actions they planned to take to address them (see appendix B). The Department also provided separate technical comments; we considered these comments and revised the final report where needed. We are pleased with the response and look forward to reviewing the action plans.

We appreciate the cooperation and courtesies extended to us by your staff during the audit. If you have any questions or concerns about this report, please contact me at (202) 793-3344 or Carmen Cook, Director for Standards and Quality Control, at (720) 644-0970.

cc: Olivia J. Bradley, Senior Procurement Executive and Director of Acquisition Management,
Office of Acquisition Management (OAM)
Molly Shea, Senior Procurement Executive and Deputy Director for Procurement
Management, OAM
John P. Geisen, Director, Financial Assistance Policy and Oversight Division, OAM
Greg Coss, Grants Specialist, OAM
MaryAnn Mausser, Commerce Government Accountability Office (GAO)/OIG Audit
Liaison, Office of the Secretary
Jen Falvey, Commerce GAO/OIG Audit Liaison, Office of the Secretary

Christiann Burek, Deputy Chief of the Employment and Labor Law Division, Office of the Secretary
Ann Marie Maloney, Audit Liaison, EDA
Jeff Roberson, Chief Counsel, EDA
Robert White, Acting Chief Financial Officer, EDA
Nadia Khang-Kaplan, Enterprise Risk Management Program Analyst, EDA
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Judy Inserra, Grants Management Division, NIST
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Jeffrey S. Thomas, Director, NOAA Acquisition and Grants Office (AGO)
Kelly Mabe, Deputy Director, NOAA AGO
Binita Sharma, Policy and Oversight Division Director, NOAA AGO
Karen Hyun, Chief of Staff, NOAA
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Nikole Duppins, Disasters, Audits, Special Projects and External Clients, Branch Chief, Grants Management Division, NOAA AGO
Andrea Sexton, Audit Lead Specialist, Grant Management Division, NOAA AGO
Brad Hess, Director, Market Development Cooperator Program, International Trade Administration
K. Danae Pauli, Senior Advisor, Minority Business Development Agency
Michael E. Dame, Office of Public Safety Communication, NTIA
Susannah Spellman, Office of Internet Connectivity and Growth, NTIA

Appendix A. Objective, Scope, and Methodology

Our objective was to determine whether the Department’s oversight of grantees is sufficient to ensure selected findings identified in single audit reports are mitigated and recommendations are resolved within the required timeframe.

To accomplish our objective, we

- queried the FAC and identified departmental awards with current or prior-year audit findings submitted to the FAC from October 1, 2021, through September 30, 2022;
- identified 49 single audit reports where the Department was cognizant or had oversight of the federal findings;
- examined 72 federal findings from these reports;
- reviewed the following policies, procedures, guidelines, and practices:
 - Uniform Guidance,
 - the Department’s *Grants and Cooperative Agreements Manual*,
 - DAO 213-5, *Audit and Evaluation Resolution and Follow-up*,
 - the Department’s *Grant Standard Terms and Conditions*, and
 - EDA’s, NIST’s, and NOAA’s audit resolution policies and procedures;
- interviewed Department, EDA,⁸ NIST, and NOAA officials identified as knowledgeable and responsible for audit resolution; and
- obtained and reviewed EDA’s, NIST’s, and NOAA’s documentation supporting the resolution of selected single audit findings.

We learned about the internal controls significant to our objective by interviewing Department and bureau personnel and reviewing policies and procedures. Data from computer-based systems was not significant to our evaluation objective; therefore, we did not rely solely on computer-processed data to address our objective. Our evidence consisted of single audits from the FAC and spreadsheets, forms, and supporting documents obtained from Department and oversight bureau officials.

We conducted our evaluation from January 2023 through July 2023 under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. §§ 401–24), and Department Organization Order 10-13, as amended October 21, 2020. We performed our fieldwork remotely.

We conducted this evaluation in accordance with *Quality Standards for Inspection and Evaluation* (December 2020) issued by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that the evidence must sufficiently and appropriately support the

⁸ EDA’s operations are divided among headquarters and six regional offices: Austin, Atlanta, Chicago, Denver, Philadelphia, and Seattle. We interviewed officials associated with all seven components.

evaluation's finding and provide a reasonable basis for conclusions, and recommendations related to the objective. We believe that the evidence obtained provides a reasonable basis for our finding, conclusion, and recommendations based on our review objective.

Appendix B. Agency Response



UNITED STATES DEPARTMENT OF COMMERCE
Office of the Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

October 6, 2023

AGENCY COMMENTS ON OIG DRAFT REPORT

MEMORANDUM FOR: Richard Bachman
Assistant Inspector General for Audit and Evaluation

FROM: Jeremy Pelter JEREMY PELTER Digitally signed by JEREMY PELTER
Date: 2023.10.06 14:55:24 -0400
Deputy Assistant Secretary for Administration, performing the
non-exclusive functions and duties of the Chief Financial Officer
and Assistant Secretary of Commerce for Administration

SUBJECT: **Draft Audit Report** entitled *The Bureaus Are Resolving Single
Audit Findings, but the Department and Bureaus Need to Update
Their Single Audit Resolution Policies*

Draft Report Date: September 7, 2023

Audited Entities:

Office of the Secretary, Office of Acquisition Management
Economic Development Administration (EDA)
National Institute of Standards and Technology (NIST)
National Oceanic and Atmospheric Administration (NOAA)

Thank you for the opportunity to respond to the OIG draft report entitled *The Bureaus Are Resolving Single Audit Findings, but the Department and Bureaus Need to Update Their Single Audit Resolution Policies*.

The Department agrees with the recommendations and will work with the Bureaus to prepare a formal action plan upon issuance of OIG's final report. EDA, NIST, and NOAA have concurred with the Department's response on the attached signature pages and added any additional comments.

Title of Finding: *Bureaus Are Resolving Single Audit Findings, but Improvements Can Be Made to Ensure Compliance with Federal Requirements*

- **OIG's Recommendation #1:** *We recommend that the Deputy Assistant Secretary of Commerce for Administration direct the Senior Procurement Executive and Director of*

Acquisition Management to update the Grants and Cooperative Agreements Manual by removing outdated references and emphasizing Uniform Guidance requirements.

- **OIG's Recommendation #2:** *We recommend that the Deputy Assistant Secretary for Regional Affairs of EDA, the Grants Management Division Director of NIST, and the Deputy Under Secretary for Operations of NOAA review and revise their respective policies and procedures to comply with the Uniform Guidance that management decisions are issued within the 6-month deadline and contain the required content.*

If you have any questions, please contact MaryAnn Mausser, Department OIG Audit Liaison, at (202) 482-8120 or mmausser@doc.gov.

EDA Concurrence

The Economic Development Administration (EDA) concurs with the Department's comments on the Draft OIG Audit Report entitled *The Bureaus Are Resolving Single Audit Findings, but the Department and Bureaus Need to Update Their Single Audit Resolution Policies*

CRAIG BUERSTATTE Digitally signed by CRAIG
BUERSTATTE
Date: 2023.10.05 12:47:25 -04'00'

Craig Buerstatte
Deputy Assistant Secretary for Regional Affairs
U.S. Economic Development Administration

NIST Concurrence

The National Institute for Standards and Technology (NIST) concurs with the Department's comments on the Draft OIG Audit Report entitled *The Bureaus Are Resolving Single Audit Findings, but the Department and Bureaus Need to Update Their Single Audit Resolution Policies*


JANNET CANCINO Digitally signed by JANNET
CANCINO
Date: 2023.09.26 14:52:59 -04'00'

Jannet Cancino
Grants Management Division Director
National Institute of Standards and Technology

NOAA Concurrence

The National Oceanic and Atmospheric Administration (NOAA) concurs with the Department's comments on the Draft OIG Audit Report entitled *The Bureaus Are Resolving Single Audit Findings, but the Department and Bureaus Need to Update Their Single Audit Resolution Policies*.

NOAA Acquisitions and Grants Office (AGO) will revise NOAA policies to reflect changes made by the Department to the Grants and Cooperative Agreements Manual as recommended in Recommendation 2 of the report.

A handwritten signature in black ink that reads "Ben" followed by a stylized "R" and a horizontal line extending to the right.

Ben Friedman
Deputy Under Secretary for Operations
National Oceanic and Atmospheric Administration

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