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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

September 22, 2017

CHRISTOPHER R. HIXON, STAFF DIRECTOR
MARGARET E. DAUM, MINORITY STAFF DIRECTOR

The Honorable Elaine L. Chao
Secretary
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Madam Secretary:

I write requesting detailed information from the Department of Transportation (DOT) regarding its efforts to improve agency oversight of federal grant awards. In February, the Government Accountability Office (GAO) released a report, at my request, regarding federal agency oversight of grant funds.¹ The federal government awards over \$600 billion annually in grant money to state, local and non-government entities, and given this investment I have asked GAO to review numerous aspects of the grants process.² In this report, GAO examined issues regarding single audits, which is an audit of a nonfederal entity that expends \$750,000 or more of federal grants and awards in a year.³ In particular, GAO reviewed policies and procedures at the Departments of Agriculture, Education, Health and Human Services, Housing and Urban Development, and Transportation, to determine whether (1) federal award recipients submit timely single audit reports and (2) award recipients took action on single audit findings by issuing timely management decisions.⁴ GAO also examined whether these selected agencies had policies and procedures in place for managing high-risk and recurring audit findings.⁵

¹ U.S. Government Accountability Office, *Single Audits: Improvements Needed in Selected Agencies' Oversight of Federal Awards* (GAO-17-159) (Feb. 2017).

² See U.S. Government Accountability Office, *Federal Grants: Agencies Performed Internal Control Assessments Consistent with Guidance and are Addressing Internal Control Deficiencies* (GAO-14-539) (July 2014); *Improper Payments: DOE's Risk Assessments Should be Strengthened* (GAO-15-36) (Dec. 2014); *Grants Management: Improved Planning, Coordination, and Communication Needed to Strengthen Reform* (GAO-13-383) (May 2013).

³ Office of Management and Budget, *Audits of States, Local Governments and Non-Profit Organizations*, Circular No. A-133 (June 26, 2007).

⁴ U.S. Government Accountability Office, *Single Audits: Improvements Needed in Selected Agencies' Oversight of Federal Awards* (GAO-17-159) (Feb. 2017). Contract recipients who expend more than \$750,000 must undergo a "single audit" which looks at the entity's financial statements for the fiscal year.

⁵ U.S. Government Accountability Office, *Single Audits: Improvements Needed in Selected Agencies' Oversight of Federal Awards* (GAO-17-159) (Feb. 2017).

GAO reviewed policies and procedures related to single audits and examined agencies' oversight of single audits, as defined under the Single Audit Act of 1984,⁶ and the guidance in Office of Management and Budget (OMB) Circular No. A-133. According to A-133, agencies are required to ensure award recipients submit audit reports within specific time frames and to issue a "management decision" within six months of receipt.⁷ GAO found several of these agencies and their subagencies lacked policies and procedures to reasonably assure that award recipients submit timely single audit reports. In particular, one of the selected subagencies within the DOT – Federal Transit Administration (FTA) had insufficient measures to track whether award recipients submitted single audit reports by the required due dates. Additionally, both the Federal Highway Administration (FHWA) and FTA lacked effective policies and procedures to reasonably assure management decisions were prepared with the required content for each single audit finding and to ensure timely issuance of management decisions on single audit findings to award recipients. Without timely management decisions award recipients are under no obligation to comply with single audit findings. Furthermore, neither subagency had a risk-based approach in place to manage high-risk and recurring single audit findings, which can be useful to help identify potential problems and reasonably allocate resources to address them.⁸

As a result of the study, GAO recommended these subagencies adhere to the *Standards for Internal Control in the Federal Government*, which sets standards for an effective internal control system for federal agencies and provides the overall framework for designing, implementing, and operating an effective internal control system.⁹ GAO also recommended four key steps that federal agencies could use to design effective policies and procedures to reasonably assure that award recipients submit timely single audit reports: 1) identify all award recipients that require single audit reports, 2) verify receipt of audit reports, 3) determine whether audit reports were submitted on time, and 4) obtain audit reports when recipients fail to provide them within the required timeframe.¹⁰ According to GAO, these steps are critical elements of the government's oversight responsibilities and help ensure that federal funds are properly used. Lastly, GAO recommended these agencies develop a risk-based approach to identify and manage high-risk and recurring single audit findings. An effective risk management strategy can aid

⁶ The Single Audit Act of 1984, Pub. L. No. 98-502. 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 provisions of laws, regulations, contracts, or grant agreements and in its financial management and internal control systems.

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federal agencies and subagencies with conducting oversight of single audits, as the resulting findings could aid in identifying problem areas and addressing priorities.

In order to better understand how DOT plans to implement recommendations made by GAO and effectively oversee federal grant awards; please provide a written response to the following questions no later than October 18, 2017:

1. In this report, GAO identified four key steps agencies could use to effectively design policies and procedures to reasonably ensure award recipients submit single audit reports timely.
 - a. Has DOT developed new policies and procedures?
 - b. How did DOT incorporate these four key steps in developing these new policies and procedures?
 - c. How will DOT work with Federal Transit Administration to provide guidance on implementing these policies and procedures? What internal controls are in place to ensure FTA complies?
 - d. How will DOT work with award recipients to inform them of new policies and procedures? What internal controls will DOT use to monitor award recipient compliance?
2. GAO recommended DOT revise current policies and procedures to ensure that management decisions are timely issued. Please discuss revisions, if any, DOT has made to current policies and procedures. Please outline the timeline for implementing these revisions.
3. Has DOT developed a risk-based approach to identify and manage high-risk and recurring single audit findings? Please discuss this new approach, including how DOT will integrate this approach into future planning, policies, management, and reporting processes.

Should you have any questions please contact Phylcia Woods with my staff at (202) 224-4627. Please send any official correspondence related to this request to Amanda Trosen at Amanda_Trosen@hsgac.senate.gov. Thank you for your prompt attention to this matter.

The Honorable Elaine L. Chao
September 22, 2017
Page 4

Sincerely,

A handwritten signature in blue ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
Ranking Member

cc: Ron Johnson
Chairman

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ROB PORTMAN, OHIO
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United States Senate

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WASHINGTON, DC 20510-6250

September 22, 2017

CHRISTOPHER R. HIXON, STAFF DIRECTOR
MARGARET E. DAUM, MINORITY STAFF DIRECTOR

The Honorable Thomas E. Price
Secretary
U.S. Department of Health & Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Mr. Secretary:

I write requesting detailed information from the Department of Health and Human Services (HHS) regarding its efforts to improve agency oversight of federal grant awards. In February, the Government Accountability Office (GAO) released a report, at my request, regarding federal agency oversight of grant funds.¹ The federal government awards over \$600 billion annually in grant money to state, local and non-government entities, and given this investment I have asked GAO to review numerous aspects of the grants process.² In this report, GAO examined issues regarding single audits, which is an audit of a nonfederal entity that expends \$750,000 or more of federal grants and awards in a year.³ In particular, GAO reviewed policies and procedures at the Departments of Agriculture, Education, Health and Human Services, Housing and Urban Development, and Transportation, to determine whether (1) federal award recipients submit timely single audit reports and (2) award recipients took action on single audit findings by issuing timely management decisions.⁴ GAO also examined whether these selected agencies had policies and procedures in place for managing high-risk and recurring audit findings.⁵

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GAO reviewed policies and procedures related to single audits and examined agencies' oversight of single audits, as defined under the Single Audit Act of 1984,⁶ and the guidance in Office of Management and Budget (OMB) Circular No. A-133. According to A-133, agencies are required to ensure award recipients submit audit reports within specific time frames and to issue a "management decision" within six months of receipt.⁷ GAO found several of these agencies and their subagencies lacked policies and procedures to reasonably assure that award recipients submit timely single audit reports. In particular, both of the selected subagencies within HHS—Audit Resolution Division (ARD) and the Centers for Medicare and Medicaid Services (CMS) had insufficient measures to track whether award recipients submitted single audit reports by the required due dates. Similarly, both subagencies lacked effective policies and procedures to reasonably assure they prepare management decisions with the required content for each single audit finding and to ensure timely issuance of management decisions on single audit findings to award recipients. Without timely management decisions award recipients are under no obligation to comply with single audit findings. Furthermore, neither subagency had a risk-based approach in place to manage high-risk and recurring single audit findings, which can be useful to help identify potential problems and reasonably allocate resources to address them.⁸

As a result of the study, GAO recommended these subagencies adhere to the *Standards for Internal Control in the Federal Government*, which sets standards for an effective internal control system for federal agencies and provides the overall framework for designing, implementing, and operating an effective internal control system.⁹ GAO also recommended four key steps that federal agencies could use to design effective policies and procedures to reasonably assure that award recipients submit timely single audit reports: 1) identify all award recipients that require single audit reports, 2) verify receipt of audit reports, 3) determine whether audit reports were submitted on time, and 4) obtain audit reports when recipients fail to provide them within the required timeframe.¹⁰ According to GAO, these steps are critical elements of the government's oversight responsibilities and help ensure that federal funds are properly used. Lastly, GAO recommended these agencies develop a risk-based approach to identify and manage high-risk and recurring single audit findings. An effective risk management strategy can aid

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federal agencies and subagencies with conducting oversight of single audits, as the resulting findings could aid in identifying problem areas and addressing priorities.

As you are aware, 31 U.S.C. §720(b) requires that agencies submit a written statement of the actions taken by the agency on recommendations made by GAO to the Senate Committee on Homeland Security and Governmental Affairs no later than 60 days after the date of the report.¹¹ To date, HHS has not submitted a statement of action to this Committee. In order to better understand how HHS plans to implement recommendations made by GAO and effectively oversee federal grant awards; please provide a written response to the following questions no later than October 18, 2017:

1. Please provide a complete copy of HHS statement of action in response to the recommendations made by GAO.
2. In this report, GAO identified four key steps agencies could use to effectively design policies and procedures to reasonably ensure award recipients submit single audit reports timely.
 - a. Has HHS developed new policies and procedures?
 - b. How did HHS incorporate these four key steps in developing these new policies and procedures?
 - c. How will HHS work with both Audit Resolution Division and the Centers for Medicare and Medicaid Services to provide guidance on implementing these policies and procedures? What internal controls are in place to ensure both subagencies comply?
 - d. How will HHS work with award recipients to inform them of new policies and procedures? What internal controls will HHS use to monitor award recipient compliance?
3. GAO recommended HHS revise current policies and procedures to ensure that management decisions are timely issued. Please discuss revisions, if any, HHS has made to current policies and procedures. Please outline the timeline for implementing these revisions.
4. Has HHS developed a risk-based approach to identify and manage high-risk and recurring single audit findings? Please discuss this new approach, including how HHS will integrate this approach into future planning, policies, management, and reporting processes.

¹¹ GAO Access and Oversight Act of 2017, Pub. L. 115-3. Sec. 720(b) (2017).

The Honorable Thomas E. Price
September 22, 2017
Page 4

Should you have any questions please contact Phylcia Woods with my staff at (202) 224-4627. Please send any official correspondence related to this request to Amanda Trosen at Amanda.Trosen@hsgac.senate.gov. Thank you for your prompt attention to this matter.

Sincerely,



Claire McCaskill
Ranking Member

cc: Ron Johnson
Chairman

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CHRISTOPHER R. HIXON, STAFF DIRECTOR
MARGARET E. DAUM, MINORITY STAFF DIRECTOR

September 22, 2017

The Honorable Ben Carson
Secretary
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

Dear Mr. Secretary:

I write requesting detailed information from the Department of Housing and Urban Development (HUD) regarding its efforts to improve agency oversight of federal grant awards. In February, the Government Accountability Office (GAO) released a report, at my request, regarding federal agency oversight of grant funds.¹ The federal government awards over \$600 billion annually in grant money to state, local and non-government entities, and given this investment I have asked GAO to review numerous aspects of the grants process.² In this report, GAO examined issues regarding single audits, which is an audit of a nonfederal entity that expends \$750,000 or more of federal grants and awards in a year.³ In particular, GAO reviewed policies and procedures at the Departments of Agriculture, Education, Health and Human Services, Housing and Urban Development, and Transportation, to determine whether (1) federal award recipients submit timely single audit reports and (2) award recipients took action on single audit findings by issuing timely management decisions.⁴ GAO also examined whether these

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³ Office of Management and Budget, *Audits of States, Local Governments and Non-Profit Organizations*, Circular No. A-133 (June 26, 2007).

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selected agencies had policies and procedures in place for managing high-risk and recurring audit findings.⁵

GAO reviewed policies and procedures related to single audits and examined agencies' oversight of single audits, as defined under the Single Audit Act of 1984,⁶ and the guidance in Office of Management and Budget (OMB) Circular No. A-133. According to A-133, agencies are required to ensure award recipients submit audit reports within specific time frames and to issue a "management decision" within six months of receipt. GAO found several of these agencies and their subagencies lacked policies and procedures to reasonably assure that award recipients submit timely single audit reports. In particular, both subagencies within HUD – Office of Community Planning and Development (CPD) and the Office of Public and Indian Housing (PIH) lacked effective policies and procedures to reasonably assure they prepare management decisions with the required content for each single audit finding and to ensure timely issuance of management decisions on single audit findings to award recipients. Without timely management decisions award recipients are under no obligation to comply with single audit findings. Furthermore, neither subagency had a risk-based approach in place to manage high-risk and recurring single audit findings, which can be useful to help identify potential problems and reasonably allocate resources to address them.⁷

As a result of the study, GAO recommended these subagencies adhere to the *Standards for Internal Control in the Federal Government*, which sets standards for an effective internal control system for federal agencies and provides the overall framework for designing, implementing, and operating an effective internal control system.⁸ GAO also recommended four key steps that federal agencies could use to design effective policies and procedures to reasonably assure that award recipients submit timely single audit reports: 1) identify all award recipients that require single audit reports, 2) verify receipt of audit reports, 3) determine whether audit reports were submitted on time, and 4) obtain audit reports when recipients fail to provide them within the required timeframe.⁹ According to GAO, these steps are critical elements of the government's oversight responsibilities and help ensure that federal funds are properly used. Lastly, GAO recommended these agencies develop a risk-based approach to identify and manage

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high-risk and recurring single audit findings. An effective risk management strategy can aid federal agencies and subagencies with conducting oversight of single audits, as the resulting findings could aid in identifying problem areas and addressing priorities.

As you are aware, 31 U.S.C. §720(b) requires that agencies submit a written statement of the actions taken by the agency on recommendations made by GAO to the Senate Committee on Homeland Security and Governmental Affairs no later than 60 days after the date of the report.¹⁰ To date, HUD has not submitted a statement of action to this Committee. In order to better understand how HUD plans to implement recommendations made by GAO and effectively oversee federal grant awards; please provide a written response to the following questions no later than October 18, 2017:

1. Please provide a complete copy of HUD statement of action in response to the recommendations made by GAO.
2. In this report, GAO identified four key steps agencies could use to effectively design policies and procedures to reasonably ensure award recipients submit single audit reports timely.
 - a. Has HUD developed new policies and procedures?
 - b. How did HUD incorporate these four key steps in developing these new policies and procedures?
 - c. How will HUD work with both the Office of Community Planning and Development and the Office of Public and Indian Housing to provide guidance on implementing these policies and procedures? What internal controls are in place to ensure both subagencies comply?
 - d. How will HUD work with award recipients to inform them of new policies and procedures? What internal controls will HUD use to monitor award recipient compliance?
3. GAO recommended HUD revise current policies and procedures to ensure that management decisions are timely issued. Please discuss revisions, if any, HUD has made to current policies and procedures. Please outline the timeline for implementing these revisions.
4. Has HUD developed a risk-based approach to identify and manage high-risk and recurring single audit findings? Please discuss this new approach, including how

¹⁰ GAO Access and Oversight Act of 2017, Pub. L. 115-3. Sec. 720(b) (2017).

The Honorable Ben Carson
September 22, 2017
Page 4

HUD will integrate this approach into future planning, policies, management, and reporting processes.

Should you have any questions please contact Phylicia Woods with my staff at (202) 224-4627. Please send any official correspondence related to this request to Amanda Trosen at Amanda_Trosen@hsgac.senate.gov. Thank you for your prompt attention to this matter.

Sincerely,



Claire McCaskill
Ranking Member

cc: Ron Johnson
Chairman

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CHRISTOPHER R. HIXON, STAFF DIRECTOR
MARGARET E. DAUM, MINORITY STAFF DIRECTOR

September 22, 2017

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, DC 20250

Dear Mr. Secretary:

I write requesting detailed information from the Department of Agriculture (USDA) regarding its efforts to improve agency oversight of federal grant awards. In February, the Government Accountability Office (GAO) released a report, at my request, regarding federal agency oversight of grant funds.¹ The federal government awards over \$600 billion annually in grant money to state, local and non-government entities, and given this investment I have asked GAO to review numerous aspects of the grants process.² In this report, GAO examined issues regarding single audits, which is an audit of a nonfederal entity that expends \$750,000 or more of federal grants and awards in a year.³ In particular, GAO reviewed policies and procedures at the Departments of Agriculture, Education, Health and Human Services, Housing and Urban Development, and Transportation, to determine whether (1) federal award recipients submit timely single audit reports and (2) award recipients took action on single audit findings by issuing timely management decisions.⁴ GAO also examined whether these selected agencies had policies and procedures in place for managing high-risk and recurring audit findings.⁵

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federal agencies and subagencies with conducting oversight of single audits, as the resulting findings could aid in identifying problem areas and addressing priorities.

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1. Please provide a complete copy of USDA statement of action in response to the recommendations made by GAO.
2. In this report, GAO identified four key steps agencies could use to effectively design policies and procedures to reasonably ensure award recipients submit single audit reports timely.
 - a. Has USDA developed new policies and procedures?
 - b. How did USDA incorporate these four key steps in developing these new policies and procedures?
 - c. How will USDA work with both Food and Nutrition Service and Rural Development to provide guidance on implementing these policies and procedures? What internal controls are in place to ensure both subagencies comply?
 - d. How will USDA work with award recipients to inform them of new policies and procedures? What internal controls will USDA use to monitor award recipient compliance?
3. GAO recommended USDA revise current policies and procedures to ensure that management decisions are timely issued. Please discuss revisions, if any, USDA has made to current policies and procedures. Please outline the timeline for implementing these revisions.
4. Has USDA developed a risk-based approach to identify and manage high-risk and recurring single audit findings? Please discuss this new approach, including how USDA will integrate this approach into future planning, policies, management, and reporting processes.

¹¹ GAO Access and Oversight Act of 2017, Pub. L. 115-3. Sec. 720(b) (2017).

The Honorable Sonny Perdue
September 22, 2017
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Should you have any questions please contact Phylcia Woods with my staff at (202) 224-4627. Please send any official correspondence related to this request to Amanda Trosen at Amanda_Trosen@hsgac.senate.gov. Thank you for your prompt attention to this matter.

Sincerely,



Claire McCaskill
Ranking Member

cc: Ron Johnson
Chairman