

# Section 5000

# Administrative Reviews

# and Audits

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## Section 5000

### Administrative Reviews and Audits

#### 5100 Administrative Reviews

At least once every two years, TDA will conduct an administrative review of the CE's SFMNP operations. TDA personnel will visit CE's administrative office and sites to

- Ensure that the overall operation complies with SFMNP requirements, including
  - Voucher distribution and security,
  - Civil rights compliance,
  - Financial management systems,
  - Approval and monitoring of sub-agencies,
  - Reporting and recordkeeping, and
  - Other aspects of their programs, as determined by TDA.
- Assist and advise CEs on issues related to SFMNP operations.

The review of SFMNP operations generally includes an observation of the voucher distribution process and an examination of record keeping at the site. As part of an administrative review, TDA will evaluate the CE's methods for reconciling vouchers for reimbursement and examine the records maintained by the CE. CEs must allow TDA and the U.S. Department of Agriculture (USDA) representatives to inspect facilities and examine and/or copy records during normal business hours. Further, CEs must follow any corrective action that TDA or USDA requires.

**NOTE:** CEs are required to annually monitor farmers and FMAs. For additional information, refer to Item 4614, *Monitoring Farmers' Market Associations and Farmers*.

#### 5110 Examination of Records

As part of a review, TDA examines *Application for Participation/Plan of Operation*, to determine whether the CE is operating the SFMNP consistent with the information provided to TDA at the time of application and any subsequent amendments. During an administrative review, a CE must make all program records available to the reviewers including, but not limited to:

- Documents concerning a CE's application for participation,
- Documentation of participant eligibility,
- Health and sanitation documentation,
- All required SFMNP forms,

- Records of voucher distribution,
- Records of training,
- Records of spent SFMNP funds,
- Cost allocation records,
- Records of subcontracting,
- Claims and redeemed vouchers,
- Procurement records,
- Audit records,
- Written processes and procedures related to the operation of the SFMNP,
- Civil rights compliance, and
- Data collected on racial/ethnic categories of current and potential participants.

### **5110.1 Review of Claims and/or Redeemed Vouchers**

TDA may deem submitted claims and/or redeemed vouchers as invalid for payment for any of the following reasons:

- Request for payment from CE to TDA is postmarked after December 15<sup>th</sup> of the applicable program year.
- Any required signatures are missing or any signatures and/or dates are missing or determined by TDA to be forged or improperly altered.
- The voucher has been accepted for transaction before or after the “Dates of Use” printed on the voucher.
- Unauthorized foods, non-food items, and/or cash have been issued in exchange for the voucher.
- Voucher has been accepted for less than its stated value.
- The SFMNP vendor number is missing from the voucher, or determined by TDA to be forged or improperly altered.

### **5120 Findings**

If a TDA reviewer finds violations in the operation of a CE’s program, the CE will receive a documentation of review findings that includes

- Each violation found,
- The factors contributing to each violation,
- Recommendations for corrective action,
- Timetables for completion, and claims action to be pursued, if any, and
- Provisions to monitor or evaluate progress and the effectiveness of corrective action(s).

The documentation may be presented at the end of the review, be mailed, or e-mailed to the CE.

CEs must correct violations of SFMNP requirements. A CE will be instructed to write a corrective action plan (CAP) to address the violation(s). The plan must state how the CE will correct any SFMNP violations and include

- An outline of actions to be taken,
- The expected outcome of each action,
- The target date for completion of each action, and
- If there is more than one violation, the date by which each violation will be eliminated.

Violations include, but are not limited to

- Failure to maintain adequate site or administrative records,
- Failure to follow competitive bid procedures,
- Failure to comply with civil rights laws and regulations,
- Submittal of false information to TDA,
- Noncompliance with voucher distribution requirements,
- Claims for reimbursement for administrative costs that were unrelated to SFMNP operations.

EXAMPLE: A CAP would be required if there were a finding of a failure to maintain administrative records. The CE would be required to provide, in writing

- The reasons for or cause of the violation,
- The steps to rectify the lack of record maintenance,
- What the result of those steps would be, and
- The target date for each step, including the end date for the corrective action.

If necessary, TDA may perform a follow up review to ensure the CAP was implemented and any violations were corrected. TDA will review CAPs from previous reviews when conducting a CE's regularly scheduled review.

## 5120.1 Sub-agency or Sub-contractor Findings and Recommendations

If a CE or TDA identifies SFMNP violations by a sub-agency or sub-contractor, the sub-agency or sub-contractor is required to submit a CAP to the CE to outline how violations or problems will be corrected. The CE must provide TDA with a copy of the CAP.

If the CAP is not complete or does not adequately address SFMNP violations, the CE may return the plan to the sub-agency or sub-contractor for additional clarification. The CE may also amend or modify a sub-agency or sub-contractor's CAP based on new information, changes in circumstances, or progress to date and/or extend time frames for good faith efforts to correct violations to comply with requirements.

After the sub-agency or sub-contractor has implemented its CAP, it must submit a final disposition report to the CE for approval. The CE is required to perform a follow up review to ensure any violations by the sub-agency or sub-contractor have been corrected. The CE must send a copy of the final disposition report to TDA.

TDA may terminate the CE's *SFMNP Agreement* if

- The CE does not follow up to ensure the sub-agency or sub-contractor's violations have been corrected, or
- The sub-agency or sub-contractor refuses or fails to correct violations, and the CE does not terminate that part of the agreement with the sub-agency or sub-contractor.

## 5200 Audits

This section provides an overview of the Federal Audit requirements as found in 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. It is not meant to be a comprehensive treatment of the Federal Audit requirements. For more specific guidance in this area, please see 2 CFR Part 200 and the latest Compliance Supplement for OMB Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*. The *Compliance Supplement* may be found at: <https://www.whitehouse.gov/omb/information-for-agencies/circulars#numerical>.

The audit covers the entire scope of the CE's operations and is conducted to determine whether:

- Financial operations are conducted properly;
- Expenditures of program funds comply with applicable laws and regulations;
- Internal procedures meet the objectives of federally assisted programs;
- Financial statements are correct; and
- Financial reports contain accurate information.

With the *Application for Participation / Plan of Operation*, a CE must submit a completed *Annual Audit* form which provides assurance that the CE will obtain an audit that meets the audit requirements. Based on the information provided on the *Annual Audit* form, TDA will notify the CE of the audit's due date six (6) months and again at eight (8) months after the end of the fiscal year for which the audit is due. However, failure to receive such notifications does not relieve a CE of the responsibility to submit an audit if required.

TDA will notify a CE that

- Audit must be submitted, by the due date, to the Federal Audit Clearinghouse at <https://harvester.census.gov/facweb/> and a copy (paper or electronic format) must be submitted to TDA. Notification will include submittal information for TDA.
- If audit is not submitted by the specified due date, the *SFMNP Agreement* will be terminated effective the first day of the month following the month in which the audit was due; and
- A CE has the right to appeal this decision.

## 5210 General Audit Policy

The frequency and scope of audits of organizations are determined by the amount and source of federal financial assistance expended in any year. Non-Federal CEs that expend \$750,000 or more during their fiscal year in Federal awards<sup>1</sup> must have a single or program-specific audit conducted for that year (2 CFR §200.501(a)). CEs subject to audit requirements in 2 CFR Part 200, subpart F must be audited on a single (organization-wide) audit basis by independent auditors. If a CE expends Federal awards under only one Federal program (such as SFMNP) it may elect to have a program-specific audit if certain requirements are met (2 CFR §200.501(c)). If the federal financial assistance expended in one year is less than \$750,000, then the CE is not subject to the audit requirement. All audits must be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

In procuring audit services, the CE must follow the procurement standards in 2 CFR Part 200 (2 CFR §§200.509 and 200.317 through 200.326). The objective is to obtain high-quality audits. In requesting proposals for audit services, the objectives and scope must be made clear and the CE must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS.

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<sup>1</sup> As used in this section, "Federal Award: means federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities (CEs) receive directly from Federal agencies or indirectly from pass-through entities. TDA is a pass-through entity for the SFMNP (2 CFR §200.38).

Factors CEs should consider in evaluating each proposal for audit services include:

- Responsiveness to the request for proposal;
- Relevant experience;
- Availability of staff with professional qualifications and technical abilities;
- Results of peer and external quality control reviews; and
- Price.

Whenever possible, the CE must make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises.

## **5220 Scope of Audit**

### CE Responsibilities

The CE must provide auditors with access to:

- Personnel
- Accounts
- Books
- Records
- Supporting documentation
- Other information as needed to perform the audit

(2 CFR § 200.508(d))

The CE must prepare:

- Financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited (2 CFR § 200.510(a)).
- Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the CE's financial statements which must include the total Federal awards expended (2 CFR § 200.510(b)). At a minimum , the schedule must:
  - List individual Federal programs by Federal agency;
  - Name of the pass-through entity (TDA) and identifying number assigned by TDA;
  - Total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available;
  - Total amount provided to subrecipients from each Federal program; and
  - Notes that describe the significant accounting policies used in preparing the schedule and whether the CE elected to use the 10% de minimis indirect cost rate

- Summary schedule of prior audit findings must report the state of all audit findings included in the prior audit’s schedule of findings and questioned costs (2 CFR § 200.511(a) and (b)).
- Corrective action plan<sup>2</sup> to address each audit finding included in the current year auditor’s report (2 CFR § 200.511(c)). The corrective action plan must provide:
  - Name(s) of the contact person(s) responsible for corrective action;
  - Corrective action planned; and
  - Anticipated completion date.

**NOTE:** If the CE does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons. (2 CFR § 200.511(c)).

<b>Overview of CE’s Responsibilities (2 CFR § 200.508)</b>
<ul style="list-style-type: none"> <li>• Arrange for Audit (2 CFR § 200.509)</li> <li>• Prepare Financial Statements</li> <li>• Prepare SEFA</li> <li>• Provide Auditor with Access</li> <li>• Take Corrective Actions on Findings</li> <li>• Prepare Summary of the Prior Audit Findings</li> <li>• Prepare Corrective Action Plan</li> </ul>

The CE must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the CE is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR §200.303).

Auditor Responsibilities

The auditor must report the following as audit findings (2 CFR § 200.516):

- Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs.
- Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program.
- Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program.

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<sup>2</sup> The corrective action plan, as described in 2 CFR Part 200, subpart F, is used to address each audit finding. This corrective action plan should not be confused with a corrective action required by TDA as a result of an administrative review.

- Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program.
- The circumstances concerning why the auditor’s report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.
- 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.
- Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.

The auditor’s report must include (2 CFR § 200.515):

- An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the schedule of expenditure of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.
- A report on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements.
- A report on compliance for each major program and a report on internal control over compliance.
- A schedule of findings and questioned costs.

<b>Overview of Auditor’s Responsibilities ( 2 CFR § 200.514)</b>
<ul style="list-style-type: none"> <li>• Determine if financial statements are fairly presented</li> <li>• Report on SEFA</li> <li>• Understand and test internal control over compliance</li> <li>• Determine whether CE complied</li> <li>• Follow up on prior audit findings</li> <li>• Report findings</li> <li>• Complete and sign Data Collection Form</li> </ul>

## 5230 Procedures for Compliance with Audit Requirements

As a condition of eligibility for participation in the SFMNP, TDA requires CEs submit documentation of compliance with audit requirements. The audit must be completed and submitted by the CE to the Federal Audit Clearinghouse (FAC) either 30 days after receiving the auditor's report, or nine months after the end of the CE's fiscal year, whichever comes earlier.

The CE must submit to the FAC the data collection form (Form SF-SAC) which is found on the FAC website and a reporting package. The reporting package must include the following:

- Financial statements and schedule of expenditures of Federal awards;
- Summary of schedule of prior audit findings;
- Auditor's report(s); and
- Corrective action plan.

(2 CFR § 200.11(b) and (c)). The CE must retain one copy each of the data collection form and reporting package on file for three years from the date of submission to the FAC (2 CFR § 200.511(f)).

The FAC website provides detailed information on how to upload an audit at <https://harvester.census.gov/facweb/>. The audit also must be submitted to TDA and copies of the audit report must be made available to the public. CEs and auditors must ensure that protected personally identifiable information is not made public (2 CFR § 200.512). Audits must be submitted to the FAC at <https://harvester.census.gov/facweb/> and a copy must be submitted to TDA. CEs should review and accept the completed audit before submitting the audit to the FAC and TDA. If corrective action is necessary, the CE should work with the auditing firm to develop a CAP to address each audit finding (2 CFR § 200.511(c))

If the audit is organization-wide but the SFMNP is not specifically audited, the CE must submit a letter to TDA from the auditor stating that the program was included in the random sampling process but was not selected for audit.

The proportional share of costs of required audits in accordance with 2 CFR Part 200, subpart F are allowable (2 CFR § 200.425). Projected costs of required audits must be included in the approved SFMNP budget to be allowable.

## 5240 Sanctions for Noncompliance

TDA must receive an acceptable audit either 30 days after receiving the auditor's report or within nine months of the last day of CE's

- Current fiscal year if submitting an annual audit, or
- Second fiscal year included in the biennial audit period if submitting a biennial audit.

TDA may terminate an *SFMNP Agreement*, effective the first day of the month following the month in which the audit was due if

- FAC and TDA does not receive the audit by the specified due date;
- The CE submits an audit that does not meet the regulatory requirements. TDA will notify the CE in writing that the audit is unacceptable. The CE must submit an acceptable audit within 30 calendar days of the date of the notice;
- A CE requests, but is not granted, an extension of the audit due date and the CE does not submit an acceptable audit as required; and
- The CE requests and is granted an extension of the due date, but fails to submit an acceptable audit by the extended due date.

If TDA determines that extenuating circumstances resulted in a CE's inability to submit an acceptable audit, TDA may conduct an audit, either directly or through contract with a third party. The CE must pay all costs associated with such an audit.

Once the *SFMNP Agreement* has been terminated for failure to comply with the audit requirement, a CE must provide an acceptable audit for any outstanding audit year(s) and comply with the Federal audit requirements in order to be eligible to reapply to participate in TDA's nutrition programs.

## 5250 Other Audits

TDA retains, both for the agency and the federal government, the right to conduct additional audits as necessary.

If violations such as fraud or misuse of funds occur and corrective action would not be practical, TDA will immediately terminate the *SFMNP Agreement*.