



Florida Department of Health

Audit Resolution Procedures Manual

Federal Compliance and Audit Management (FCAM),
Single Audit Review (SAR) Unit

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Target: All Federal and State Financial Assistance Funded Projects

Purpose: To convey a common understanding and provide uniform guidance for administering Single Audit Act requirements with local recipients and sub-recipients of financial assistance contracts.

References:

- U.S. Code, Title 31 - Money and Finance (i.e., [Chapter. 75: REQUIREMENTS FOR SINGLE AUDITS](#))
- Pub. L. 114–301, §2(a)(2), Dec. 16, 2016
- Pub. L. 104–156, §2, July 5, 1996
- [Section 215.97](#), Florida Statutes
- [The Rules of the Auditor General \(AG\), Chapter 10.650](#)

Contact: Questions should be directed to Kénol Saint-Fort, Federal Compliance and Health Financial Manager, (850) 245-4534: e-mail SingleAudits@flhealth.gov

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Introduction

In accordance with the Florida Single Audit Act (section 215.97, Florida Statutes) and the Federal Single Audit Act (2 CFR 200, subpart F), Formerly OMB Circular A-133, the Florida Department of Health (FDOH) is required to enforce and implement operational procedures and guidance to monitor and meet the requirements outlined under the Single Audit Act (federal/state) when projects are funded with state financial assistance or federal grant funds. The Single Audit Act is applied to ensure that funds are expended in accordance with applicable laws and regulations, that audits of recipients/subrecipients are occurring, and that audit findings are resolved at the state level. This FDOH procedures manual establishes the guidelines that are required for audit resolution.

The Single Audit Review (SAR) unit within the Federal Compliance and Audit Management (FCAM) section in the Office of the Deputy Secretary for Operations is tasked with collecting and reviewing all single audit reports associated with FDOH financial assistance contracts. This includes the 67 County Health Departments and other state entities when an FDOH program is involved.

Amendments to Single Audit Act

The updated Changes under the Uniform Guidance (UG) represent the most significant changes to government auditing standards since the enactment of the amendments to the Single Audit Act that was signed in July 1996. As a result of the UG changes, the requirements under OMB Circular A-128 and A-133, which applied to state and local governments, were both rescinded, and incorporated (i.e., codified) under the new created Uniform Guidance 2 CFR 200, subpart F, December 26, 2014. The following updates were enacted and are the most significant changes under the Federal Single Audit Act:

1. Audit threshold increased from \$500,000 expended to \$750,000 expended.
2. The threshold for requiring a cognizant agency for audits remained at \$50 million.
3. The threshold for reportable questioned costs was raised from \$10,000 to \$25,000 and required auditees to initiate corrective action as rapidly as possible.

As used in this section, “cognizant agency” means the federal agency assigned by the Office of Management and Budget (OMB) to carry out the responsibilities described under 2 CFR 200, or the State of Florida chapter 20 of the Florida Statute for agency’s authorized programs, or 215.97 F.S. for the administration or coordination of State Single Audit Act Projects.

Grantee’s Auditing Responsibilities

Recipients and Sub-recipients of Financial Assistance (i.e., local providers receiving state appropriations under the Grants/Aids categories, a/k/a grantees) must have an annual independent



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financial and compliance audit of all federal and state funds received if the threshold of expenditures of the award received is equal or greater than \$750,000 in a single fiscal year. Local providers/grantees should note that they are also responsible for ensuring the same requirements are adhered to when funding are passed on to another local/subgrantees. The subgrantee must also have an audit conducted if the threshold of expenditures is equal or greater than \$750,00 in a single fiscal year.

All audits must be conducted in accordance with the standards set forth in the publication "Government Auditing Standards (2018 Revision)" issued by the Comptroller General of the United States.¹

FDOH reserves the right to adjust or provide input on the number of major program or program-specific audits to be performed based on the nature, size, complexity of the state project, identified risks, monitoring findings and federal audit requirements for FDOH from federal agencies.

Consistent with audit clearance standards, all draft reports when applicable, will be treated in a confidential manner and only disseminated to FDOH and state personnel who have direct responsibility relating to program management or the auditing processes. The final audit report will be considered a public document upon official transmittal to FDOH and/or the Federal Audit Clearinghouse.

To ensure that the grantee's auditing responsibility is accomplished, it is imperative that each grantee allocates a portion of its administrative budget to procure audit services. This allotment must be budgeted as part of the grantee's administrative funds and cannot be charged to training or other services. The grantee shall have formal written policy/instructions to establish governing procedures for independent audits that include, but are not limited to, the following:

1. Audit bidding procedures.
2. Qualifications of the auditor.
3. Sanctions for non-performance by audit firms.
4. Frequency of audits.
5. Notification to subrecipients scheduled for audit.
6. Procedures for debt collection and resolution of audits.

When acquiring the services of an independent auditor, grantees must follow all purchasing guidelines, rules and Florida statutes as best practices to create a more open and competitive environment in the selection of audit firms.

¹ These requirements are developed by the Comptroller General of the United States and apply the requirements of the Single Audit Act (2 CFR 200, subpart F); federal regulations; and section 215.97, Florida Statutes; and the Florida Auditor General (AG) Rules [Chapter 10.650](#) which covers Florida Single Audit Act requirements for Non-Profit and For-Profit Organizations.



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All documents and records (including, but not limited to, work papers) associated with the audit must be retained by the grantee for a minimum of three years after issuing date of the audit report. Documents shall be retained beyond the minimum period if any audit resolution, litigation, or claim is initiated involving the grant covered, or until the audit finding, litigation, or claim has been resolved and written notification is received from FDOH regarding destruction.

Upon request, all grantees shall make available to FDOH, its designated officials, and the procured CPA firm for access to all program and fiscal documents and working papers. Access includes the right of designated staff to obtain copies of working papers, as is reasonable and necessary to conduct a final resolution on outstanding finding resolution.

Audit Scope and Testing Requirements

At a minimum, major program or program-specific audits must include the following:

Allowable Costs

A cost must be necessary and reasonable for the proper and efficient administration of the program. Costs charged to the program must be consistent with those allowed in the cost principles and financial management standards sections of the appropriate Federal Act and Regulations, Uniform Administrative Requirements, Florida Department of Financial Services (DFS) policies and procedure guides, and other appropriate state laws.

Classification of Costs

Allowable costs must be charged against the appropriate cost categories to the extent that benefits are received under that category and are consistent with appropriate Federal Act and Regulations, Uniform Administrative Requirements, DFS policies and procedures, and other appropriate state laws.

Cost Limitation by Category

Cost limitations by category are set forth in the relevant Federal Act and Regulations and state of Florida DFS fiscal policies.

Eligibility Compliance Requirement

Each local administrative entity is responsible for the eligibility of those enrolled in its programs. At a minimum the following should be tested:

1. Review the eligibility determination system/tools and evaluate for adequacy.
2. Review selected participant files and determine appropriate eligibility determinations.



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Monitoring

Each local area grantee (i.e. recipient of state/sub-recipient of federal financial assistant) must adhere to a monitoring visit by the FDOH, Office of Contracts Administration and Oversight and/or the FDOH Program Offices. Grantees who have a contract for services must also adhere to all appropriate FDOH contract terms and conditions for single audit requirements. Local monitoring procedures should be reviewed routinely to assess if procedures are being followed, and to ensure that minimum requirements are being met. A sampling of local monitoring visit reports, work papers, documentation, and follow-up documentation shall be reviewed to determine compliance of state/federal funds. The review findings from the FDOH Office of Contracts Administration and Oversight are to be included by the auditing CPAs in their audit review of the grantees.

Reporting Requirements

Fiscal reports must be completed for each calendar month in accordance with Florida Statutes and FDOH contract requirements. At a minimum, the following should be tested:

1. Ascertain reporting requirements prescribed by FDOH.
2. Obtain copies of reports and determine timeliness of submission.
3. Trace data in selected reports to supporting documentation.

Program Income

Income generated under any program (state/federal) must be reported to FDOH and shall be used to further program objectives. At a minimum, the following should be tested:

1. Determine if the program has generated any income.
2. Test for compliance in accordance with state statutes and federal regulations.

Matching Funds

When required by program regulations, an appropriate amount of match must be generated. At a minimum, the following should be tested:

1. Determine if the appropriate match has been generated and test supporting documentation to determine compliance.
2. Determine the amount of the recipient's/sub-recipient's funds expended during both the previous and current year to provide services similar to those provided in the FDOH contract funds.

Previous Audit Findings

The audit report for the previous year may include findings that require corrective action during the current audit period. Review the previous audit report and determine if appropriate corrective action has been taken during the current audit period.



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Auditor's Report

The auditor's report must be provided to FDOH (SAC-Single Audit Clearinghouse website), the Federal Single Audit Clearinghouse, and the Auditor General's Office no later than nine (9) months after the auditee's fiscal yearend.

FDOH - Audit Review Process

Single audit review demands a complete openness and collaboration among all involved parties. Consequently, throughout a fiscal year, the FCAM section works with and seeks information from a variety of sources (i.e. program offices, contracts administration, FDOH inspector general, legal counsel, local CPAs, local provider representatives, auditor general, DFS statewide reporting unit and federal compliance representatives) to gather information and assess single audit data necessary to ensure compliance with the requirements under Florida Statutes chapter 215.97 and Federal 2 CFR 200.332(a)(5). Subsequently, the FCAM section maintains a depository of all relevant data/information to monitor the receipts and status of state/federal single audit reports from financial assistance providers. These tools include:

FCAM - SAR Tracker

- Validate provider information from FACTS, MIPS, FIS, SAMS, SunBiz, etc. to create an integrated data source for monitoring FDOH audit compliance requirements
- This tool provides a checkpoint to validate the accuracy of the information between FACTS/MIPS
- Foster continuous improvement between the child care food program and local agencies
- Decrease the risks for adversarial litigations or levies against USDA child care food funds
- Save time, money and resources
- Use to provide an integrated web based portal for CPAs/providers to upload audit reports and documents directly to FDOH via the Single Audit Clearinghouse website portal (i.e., SAC) for reports submission
- Improve the efficiency and timeliness of audit reviews between FCAM, FDOH Contract Managers, and local CPAs for issuance of management decision letters and resolutions

FCAM – Single Audit Review Action

- Annually, initiate email notification reminders to all recipient and sub-recipient providers using an online Survey Monkey tool to certify and attest to FDOH of their audit status to the \$750,000 threshold requirements for audit.
- Audit reports and related documents are tracked, requested, uploaded and maintained online under the FDOH Single Audit Clearinghouse (SAC) website portal. Accesses to the audit reports are provided to Contract Managers (CM), and Contract Administration and Oversight. Each office is also provided with assesses to upload and review documents within the portal to improve the department's timeliness for management decision/resolution on pending corrective action plan with providers and local CPAs.



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FDOH - Audit Resolution Process

Attached to this guide is a document outlined as an “*Audit Resolution and Debt Collection Workflow Process*” which describes the FDOH audit resolution and debt collection process for financial assistance contracts. Each financial assistance recipient together with the FDOH program office contract manager shall be responsible for addressing all findings identified in the respective single audit report. The recipient/sub-recipient shall provide a copy of the corrective action plan and audit resolution plan as confirmed by the local CPA to FCAM within 30 days of a request. At a minimum, the audit resolution plan shall contain the following:

1. Status of the audits finding included in the report.
2. Description of the questioned or disallowed costs.
3. Basis for allowing questioned or disallowed costs.
4. Corrective actions that have, or will be, taken.
5. Waiver requests for disallowed costs.

Within 30 days of receipt, the audit report, audit resolution plan, and/or return confirmation from the local CPA, FCAM shall issue an initial determination stating whether FDOH is in agreement with the grantee's actions or proposed actions related to the disposition of the audit. In addition, the grantee will be notified via a management decision letter if FDOH is in agreement with the grantee's action plan and the disposition of the audit.

In cases where FDOH is in disagreements, the audit resolution plan will be remanded to the grantee for additional action or a final determination to establish a plan for a final resolution. A debt settlement will be issued if FDOH is in disagreement with the grantee's disposition of the audit or the disallowed costs. The remand to the grantee for additional action must be responded to within 30 days after receipt. Within 30 days after receiving the grantee's response to the remand, FCAM shall issue a final management decision/resolution letter. The final resolution letter will include, if applicable, the following:

1. Identification of disallowed costs, listing each disallowed cost and describing the reason(s) for each.
2. Identification of those costs questioned in the audit report that will be allowed, and explanation of why those costs are allowed.
3. Notification that a debt has been established.
4. Information on the grant recipient's right to appeal through the general complaint process consistent with the FDOH contract terms and conditions.

The grantee must submit a request with its audit resolution plan if the recipient/sub-recipient intends to request a waiver of liability. All requests for waivers must address the findings and include supporting documentation. The recipient/sub-recipient must submit a request for a waiver of liability to all other state agencies who might also be involved with the disallowance.

In resolving audit findings, the recipient/sub-recipient shall adhere to federal and state requirements regarding allowable costs.



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FCAM will take the following steps regarding audits of its state financial assistance recipients and pass-through federal financial assistance subrecipients to ensure that appropriate corrective action is taken within six months after receipt of the audit report:

1. A copy of the final determination (management decision/resolution letter) will be provided to the Office of Contracts Administration and Oversight, and the FDOH Program Office(s) responsible for the related audit finding.
2. If there is no existing program office in FDOH that has direct programmatic responsibility related to the audit finding, the Office of Contracts Administration and Oversight with consultation from Legal Counsel will be assigned with the follow-up responsibilities to ensure that a corrective action is taken. The assigned staff will assume responsibility to complete the follow-up and provide a written report on the corrective action to FCAM (SAR unit) within 60 days.

Debt Collection Procedures

The procedure described in this section shall be used in all cases where a debt or unspent fund is established against a financial assistance recipient or sub-recipient as a result of negative monitoring or audit findings.

Establishment of Debt

Debt collection is to begin when the debt is established as result of the following:

1. **Audits** - Debt is established by the release of a final determination (management decision/resolution letter) disallowing the cost.
2. **Final determination appealed** - Debt is established upon affirmation of the original determination.
3. **Monitoring** - Debt is established upon disapproval of the corrective action taken by the recipient or sub-recipient.

A copy of the final determination (i.e., management decision/final resolution letter) of a debt will be provided to the FDOH program office contract manager and the Bureau Chief of Finance and Accounting in the Division of Administration. The contract manager will coordinate with Finance and Accounting, and the Office of Revenue and Budget Management to set up accounts receivable for the debt.

In the case of a monitoring finding, the section discovering the finding (i.e. Contract Manager, Office of Contract Administration and Oversight) will notify the FCAM of the findings with corrective action plan and share the related documents that will help FCAM to make consideration with other findings and corrective action when necessary.



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Notification of Debt

Within ten days of establishing debt, a demand (i.e., final resolution) letter shall be sent by certified mail with *return receipt* request to the recipient or sub-recipient for immediate action. Legal action shall be initiated if no response or payment is received within 30 days of the demand letter date. Interest payments shall be enforced in accordance with [Federal Claims Collection Standards](#) and Florida statute, interest on the debt, and it shall accrue from the date of the demand letter. Interest penalty shall be charged at the U.S. Treasury rate prevailing on that date.

Interest may be waived if the debt is paid or negotiated before it becomes delinquent, which is 30 days after the demand letter date. If the demand letter is not picked up and signed by the recipient or sub-recipient, it shall be considered a "no response" and legal remedies will be pursued. In addition, debts that become delinquent may be disclosed to a credit reporting agency and Federal oversight agencies (see [§ 200.346](#)). Delinquent debts that remain outstanding will, in some cases, jeopardize eligibility to receive future federal and state funds.

Payment Methods

Payment of debts shall be a one-time cash payment. In cases of documented financial hardship, or for other reasons as allowed by law, the following payment procedures may be used as determined by the CFO of DFS policies and governance.

Repayment Agreement

A repayment agreement may be negotiated for a time not to exceed one year or the program guides when such requirements are specificized by a federal grant program or specific Florida appropriation statutes. The agreement shall be written and signed by both parties. The agreement shall include the following:

1. Effective date of agreement.
2. Amount of debt.
3. Schedule of payment dates.
4. Amount of each payment.
5. Statement of interest.
6. Requirement for accelerated payment in full if the financial assistance recipient or sub-recipient breaches the terms of the agreement.

Services in Lieu of Cash Repayment

Other alternatives to cash repayment may be accepted under certain circumstances. One such repayment mechanism allows repayment of debt by providing extra services at the recipient's or sub-recipient's expense outside of the FDOH contract agreement funded budget. Services in lieu of cash repayment shall only be approved when both of the following conditions exist as determined by FDOH contract terms and conditions.

1. Cash repayment is not feasible.
2. The services in lieu of cash repayment will benefit the program in which the costs were disallowed resulting in the debt.



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A service in lieu of cash repayment agreement shall be in writing and signed by both parties. The agreement shall contain the following:

1. Effective date of agreement.
2. Amount of debt.
3. Type of services to be provided.
4. Estimated value (budget) of services to be provided.
5. Documentation requirements.
6. Requirement for accelerated payment in full if the recipient or sub-recipient breaches the terms of the agreement.

Allocation Reduction

An allocation reduction can occur, when permissible, if DFS, Internal Revenue Services (IRS) or the Florida Department of Revenue (DOR) offsets a debt against funds allotted to the recipient or sub-recipient for failure to resolve bad debts/tax liability.

Legal Action

Legal action shall be taken when all other available options have been exhausted or rejected. In addition, the auditee may wish to follow the FDOH "Notice of Rights" that is incorporated within each financial agreement contract, and is outlined below if the organization wishes to appeal the FDOH management decision or the demand for repayment.

NOTICE OF RIGHTS

A party whose substantial interest is affected by this agency action may petition for an administrative hearing pursuant to sections 120.569 and 120.57, Florida Statutes. A petition must be filed in writing and must be in conformance with Rule 28-106.201, 28-106.2015, or 28-106.301, Florida Administrative Code, as applicable. The petition must be in writing and received by the Agency Clerk for the Department within 21 days from receipt of this notice. The petition must be submitted by one of the following delivery methods:

By Mail:

Agency Clerk, Florida Department of Health
4052 Bald Cypress Way, BIN #A-02
Tallahassee, FL 32399-1703;

By Hand Delivery:

Agency Clerk, Florida Department of Health
2585 Merchants Row Blvd.
Prather Building
Tallahassee, Florida;

By facsimile: 850-413-8743; or

By E-Filing: https://agency_clerk-fdh.mycusthelp.com/WEBAPP/rs/supporthome.aspx?&lp=3



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Mediation is not available.

Failure to file a petition within 21 days shall constitute a waiver of the right to a hearing on this agency action. If this notice becomes a Final Order, an adversely affected party is entitled to judicial review pursuant to section 120.68, Florida Statutes. The Florida Rules of Appellate procedure govern review proceedings. Review is initiated by filing, within 30 days of the date of the Final Order, a Notice of Appeal with the appropriate Court of Appeal in the appropriate District Court, accompanied by the filing fees required by law, and filing a copy of the Notice of Appeal with the Agency Clerk, Department of Health.

EXHIBIT 3 ATTACHMENT – FDOH Audit Resolution Workflow Process

Double-click the icon below to open the “*Audit Resolution and Debt Collection Workflow Process*”.



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