SECTION 13 - AUDIT, MONITORING, AND CORRECTIVE ACTION CONTROLS

13.1 Purpose

This section establishes procedures governing:

- Single Audit compliance
- External audit coordination
- Federal and state monitoring reviews
- Internal monitoring
- Corrective action planning
- Resolution of findings

This section complies with:

- 2 CFR Part 200 Subpart F (Audit Requirements)
- 2 CFR §200.332 (Subrecipient Monitoring)
- 2 CFR §200.303 (Internal Controls)

13.2 Single Audit Requirements

If NRMRWDACB expends $750,000 or more in federal funds in a fiscal year, a Single Audit shall be conducted in accordance with Subpart F.

The Fiscal Agent (NRVRC) is responsible for:

- Arranging the annual audit
- Providing auditor access to accounting records
- Preparing financial statements
- Coordinating fieldwork

NRMRWDACB is responsible for:

- Reviewing audit results
- Addressing findings

- Implementing corrective actions
- Providing oversight of resolution

13.3 Audit Preparation

Prior to audit:

Finance Manager shall:

☐ Reconcile all funding streams
☐ Verify obligation spreadsheet accuracy
☐ Confirm match tracking
☐ Confirm administrative caps
☐ Ensure procurement files complete
☐ Confirm timesheets are signed and approved
☐ Confirm draw reconciliation

Accounting Technician shall:

☐ Verify financial reports reconcile to ledger
☐ Confirm documentation completeness

Executive Director shall review audit readiness summary.

13.4 Monitoring Reviews (Federal and State)

NRMRWDACB may be subject to:

- Federal monitoring (e.g., USDOL)
- State monitoring (Virginia Works)
- Program-specific monitoring
- Fiscal reviews

Upon notification of monitoring:

1. Executive Director designates point of contact.
2. Finance Manager compiles requested documentation.
3. Fiscal Agent provides ledger and financial data.
4. Program Manager provides programmatic documentation.

5. All responses coordinated centrally.

13.5 Findings Classification

Findings may include:

- Questioned costs
- Internal control deficiencies
- Noncompliance findings
- Significant deficiencies
- Material weaknesses

Each finding must be:

- Logged
- Assigned a responsible party
- Assigned a correction deadline

13.6 Corrective Action Plan (CAP) Process

Upon receipt of finding:

1. Finance Manager drafts corrective action plan.
2. Program Manager provides input if program-related.
3. Fiscal Agent provides input if accounting-related.
4. Executive Director reviews and approves CAP.
5. CAP submitted to appropriate authority.

CAP must include:

- Root cause analysis
- Immediate corrective action
- Long-term prevention strategy
- Responsible party
- Completion timeline

13.7 Questioned Cost Resolution

If questioned cost is identified:

1. Finance Manager reviews documentation.
2. Additional documentation requested if needed.
3. If unallowable:
    - Cost must be repaid from non-federal funds.
    - Adjustment recorded by Fiscal Agent.
4. Documentation retained.

Executive Director must be notified of all questioned costs.

13.8 Tracking and Closure of Findings

Finance Manager shall maintain a Findings Log including:

- Finding description
- Source (audit, monitoring, internal review)
- Date identified
- Corrective action steps
- Responsible party
- Completion date
- Verification of correction

Findings remain open until formally closed.

Quarterly review of open findings required.

13.9 Internal Monitoring

NRMRWDACB shall conduct internal reviews including:

- Quarterly financial review
- Random purchasing card audits
- Subrecipient invoice sampling
- Match documentation review

- Payroll allocation review

Internal monitoring results must be documented.

13.10 Annual Internal Control Risk Assessment

NRMRWDACB shall conduct an annual internal fiscal risk assessment to evaluate:

- Segregation of duties effectiveness
- Procurement threshold compliance
- Subrecipient risk exposure
- Match sufficiency risk
- Administrative cap exposure
- Payroll allocation patterns
- Fraud risk indicators
- IT and data security controls (financial records)

The review shall be conducted by:

Finance Manager
Program Manager
Fiscal Agent representative
Executive Director

Results shall:

- Be documented in writing.
- Identify areas of vulnerability.
- Recommend corrective or strengthening actions.
- Be reviewed by Executive Director.
- Be reported to the Board or Finance Committee.

Corrective measures must be implemented within a reasonable timeframe.

13.11 Internal Monitoring Calendar

NRMRWDACB shall maintain an annual internal fiscal monitoring calendar identifying:

- Quarterly match reconciliation review
- Quarterly administrative cap review

- Quarterly payroll allocation review
- Annual procurement file sampling
- Annual subrecipient monitoring schedule
- Purchasing card quarterly spot checks
- Equipment physical inventory cycle
- Internal control risk assessment review

The monitoring calendar shall:

- Be updated annually.
- Be reviewed by Executive Director.
- Be retained for audit documentation.

13.12 Escalation of Noncompliance

If significant noncompliance is identified:

- Executive Director must be notified immediately.
- Corrective action must begin within 5 business days.
- If systemic issue, policy revision required.
- Board may be notified if material.

13.13 Whistleblower Protection

Employees reporting suspected fraud or misuse shall:

- Be protected from retaliation.
- Be allowed to report confidentially.
- Have reports documented and investigated.

Fraud allegations must be escalated appropriately.

13.14 Internal Control Statement

Audit and monitoring controls ensure:

Identification → Documentation → Corrective Action → Tracking → Executive Oversight → Closure

This structure supports compliance with Subpart F and demonstrates strong internal control environment.