

SINGLE AUDIT REPORT SUPPLEMENTAL HANDBOOK 5 IAM 2-H



OFFICE OF INTERNAL EVALUATION AND ASSESSMENT (OIEA)

US Department of the Interior
Office of the Assistant Secretary - Indian Affairs,
Office of Internal Evaluation and Assessment (OIEA)
12220 Sunrise Valley Drive
Reston, Virginia 20191

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New
5 IAM 2 Single Audits

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Introduction

This handbook is intended to provide:

- answers to frequently asked questions regarding the single audit process;
- examples of memorandums to use in the resolution of single audit reports;
- examples of letters to use in the solicitation of single audit reports;
- an example of a letter to use to convey appeal rights;
- an example of a letter to notify of impending payment actions;
- an example of a letter to notify of withholdings and other intents;
- a certificate to use to document the Tribal Organization's assertion of its compliance requirements; and
- examples of Findings and Determination Memorandums.

The examples of memorandums and letters should be considered guidance as it is not possible to create an example to cover every possible scenario. It is the responsibility of the writer to tailor the document(s) to each specific situation.

Acronyms

1. Office of Internal Evaluation and Assessment (OIEA)
2. Office of the Inspector General (OIG)
3. Bureau of Indian Affairs (BIA)
4. Bureau of Indian Education (BIE)
5. Office of Self Governance (OSG)
6. Office of Financial Management (PFM)
7. Department of the Interior (DOI)
8. Findings and Determination Memorandum (F&D)
9. Corrective Action Plan (CAP)
10. Office of Management and Budget (OMB)
11. Awarding Official (AO)
12. Education Line Officer (ELO)
13. Indian Affairs (IA)
14. Indian Tribal Organization (ITO) – includes Federally recognized Indian tribes, Alaska Native Villages, Indian health and welfare associations, tribally operated contract and grant schools.



United States Department of the Interior
[Applicable Letterhead]

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Illustration 2
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Registered Mail - Return Receipt Requested

REQUEST FOR SUBMISSION OF SINGLE AUDIT REPORT

Dear [Tribal Organization Leader]:

The Single Audit Act requires a non-Federal entity that expends \$500,000 or more of Federal awards in a given fiscal year to have a single audit performed for that fiscal year. In addition, Congress has required tribes and tribal organizations receiving funding under the Indian Self-Determination and Education Assistance Act (ISDEAA) and the Tribally Controlled Schools Act (TCSA) to submit their single audit reports to the Secretary of the Interior. 25 U.S.C. § 450c (f). The Secretary of the Interior, through the Office of the Assistant Secretary – Indian Affairs, has designated the Office of Internal Evaluation and Assessment (OIEA) as the agency office to which tribes and tribal organizations must submit their single audit reports.

Under the requirements of OMB Circular A-133, which implements the Single Audit Act, a non-Federal entity is required to submit its single audit report to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the audit report or 9 months after the end of the period audited. The report for the audit period ended *(date)* will be due by *(date)*.

According to OIEA records and the records of the Federal Audit Clearinghouse your Tribal Organization has not submitted its single audit report for the audit period ended *(date)*. While your single audit report is not yet due, the purpose of this letter is to remind you of the requirement to submit the audit report and to advise you of the sanctions that the BIA/BIE/OSG intends to impose if the report is not received by the due date. As shown in the following table, sanctions increase in severity as the period of non-compliance increases. Consequently, if you are already delinquent in the submission of a prior single audit report, the level of sanctions imposed will be higher based on the earliest delinquent audit report.

Sanction	Authority
Level 1 sanctions are imposed in the contracting period following the audit due date. The Indian tribe or tribal organization will be limited to monthly advance payments of all contract funds, including contract support funds.	OMB Circular A-133
Level 2 sanctions are imposed in the 2 nd contracting period after the audit due date. The Indian tribe or tribal organization will continue to receive monthly advance payments of all contract funds, and all contract support payments will be withheld.	OMB Circular A-133
Level 3 sanctions are imposed in the 3 rd contracting period after the audit due date. The BIA will initiate nonemergency program re-assumption procedures.	OMB Circular A-133 and 25 USC § 450m

To avoid imposition of these sanctions you are encouraged to submit your single audit by the due date. The OIEA's address is:

Office Internal Evaluation and Assessment
U.S. Department of the Interior
12220 Sunrise Valley Drive
Reston, Virginia 20191

E-mail: oiea@bia.gov
Phone: (703) 390-6484
Fax: (703) 390-6504

The purpose of this letter is to advise you of the actions *[insert Bureau or Office]* will take in *[insert year]* if the audit report is not received by the audit due date. If it becomes necessary to impose sanctions, you will receive a formal notice which will include a description of your appeal rights.

Thank you for your immediate attention to this matter.

Sincerely,



United States Department of the Interior
[Applicable Letterhead]

Insert Date

Registered Mail - Return Receipt Requested

REQUEST FOR SUBMISSION OF SINGLE AUDIT REPORT

Dear [Tribal Organization Leader]:

According to the database maintained by the Federal Audit Clearinghouse, you have filed your [insert year] single audit report with the Federal Audit Clearinghouse under the requirements of OMB Circular A-133. This is to notify you that you are required to submit a copy of your single audit report directly to the Office of Internal Evaluation and Assessment (OIEA) at the Department of the Interior.

The Indian Self-Determination and Education Assistance Act (ISDEAA) contains the following requirement:

For each fiscal year during which an Indian tribal organization receives or expends funds pursuant to a contract entered into, or grant made, under this subchapter, the tribal organization that requested such contract or grant shall submit to the appropriate Secretary a single-agency [sic] audit report required by chapter 75 of Title 31. 25 U.S.C. § 450c (f). (NOTE: OIEA is the office designated to receive single audit reports on behalf of the Secretary. Remove this note when using this example)

Under the requirements of OMB Circular A-133, recipients are required to file their audit reports with the Federal Audit Clearinghouse and to submit to the Federal Audit Clearinghouse additional copies of the audit report only for those agencies for which there is a reportable audit finding. While filing with the Federal Audit Clearinghouse satisfies the requirements of OMB Circular A-133, it does not satisfy the requirements of the ISDEAA or Tribally Controlled Schools Act (TCSA). The Assistant Secretary - Indian Affairs has determined that each Indian tribe or tribal organization is to file copies of its single audit report with the OIEA to meet the requirements of the ISDEAA and TCSA.

Although you have submitted your audit report for FY [insert year] to the Federal Audit Clearinghouse, the OIEA has not received a copy of your audit. Consequently, we are notifying you of the requirement to submit a copy of the completed single audit report to the OIEA at the address provided below.

Office Internal Evaluation and Assessment
U.S. Department of the Interior
12220 Sunrise Valley Drive
Reston, Virginia 20191

E-mail: oiea@bia.gov
Phone: (703) 390-6484
Fax: (703) 390-6504

Thank you for your cooperation in this matter.

Sincerely,

[Insert name of awarding official]
[Insert title of awarding official]

cc: OIEA



United States Department of the Interior
[Applicable Letterhead]

Insert Date

Registered Mail - Return Receipt Requested

NOTICE OF CHANGE IN PAYMENT METHOD

Dear [Tribal Organization Leader]:

By a letter dated [*insert date of warning letter*], signed by the Awarding Official, you were notified that the [*insert Bureau or Office*] intended to impose sanctions during fiscal year [*insert fiscal year*] on Indian tribes or tribal organizations which have failed to meet the statutory and regulatory requirements for annual submission of single audit reports.

The Indian Self-Determination and Education Assistance Act (ISDEAA) contains the following requirement:

For each fiscal year during which an Indian tribal organization receives or expends funds pursuant to a contract entered into, or grant made, under this subchapter, the tribal organization that requested such contract or grant shall submit to the appropriate Secretary a single-agency [sic] audit report required by chapter 75 of Title 31. [25 U.S.C. 450c (f)]. (NOTE: OIEA is the office designated to receive single audit reports on behalf of the Secretary. Remove this note when using this example)

Under the requirements of OMB Circular A-133, recipients are required to file their single audit reports with the Federal Audit Clearinghouse within 9 months of the end of its fiscal year. According to the records of OIEA and the Federal Audit Clearinghouse, your tribe/tribal organization has not submitted its single audit report for fiscal year [*insert fiscal year*].

This action is taken pursuant to the authority contained in the Single Audit Act and the implementing guidance issued by the Office of Management and Budget through OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, which provides:

“In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities shall take appropriate action using sanctions such as:

- (a) **Withholding a percentage of Federal awards until the audit is completed satisfactorily;**
- (b) Withholding or disallowing overhead costs;
- (c) Suspending Federal awards until the audit is conducted; or
- (d) Terminating the Federal award.”

The Bureau has determined that because you have failed to submit appropriate audits to OIEA, we will make payments of all contract funds, including contract support costs, by way of monthly advance installments until all audits have been submitted to OIEA. Other payment methods will resume once the Bureau receives notification that the tribe has submitted its single audit report for fiscal year *[insert fiscal year]*. Moreover, the Bureau reserves the right to impose additional sanctions, including withholding funds, if audits are not submitted in a timely manner.

Single audit reports are to be sent to the Federal Audit Clearinghouse and the OIEA at the following addresses:

Federal Audit Clearinghouse 1201 E. 10 th Street Jeffersonville, In. 47132 Phone: (800) 253-0696	U.S. Department of the Interior Office of Internal Evaluation and Assessment 12220 Sunrise Valley Drive Reston, Virginia 20191 E-mail: oiea@bia.gov Phone: (703) 390-6484 Fax: (703) 390-6504
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We suggest that audits be mailed “return receipt requested.”

(Note: For BIE recipients the appeal rights below must be inserted. Remove this note when using this example)

APPEAL NOTICE

This is a final decision of the Awarding Official. You may appeal this decision to the Civilian Board of Contract Appeals, 1800 F Street, NW, Washington, DC 20405. The Civilian Board of Contract Appeals (CBCA) is the authorized representative of the Secretary of the Interior with jurisdiction to hear and determine appeals relating to contracts (or grants) made by any Bureau or Office of the Department of the Interior.

If you decide to appeal, you must mail or otherwise furnish a written notice of appeal to the CBCA within 90 days of receipt of this decision and provide a copy to the Awarding Official from whose decision the appeal is taken. The notice of appeal must indicate that an appeal is intended, reference this decision, and identify the contract number.

If you appeal to the CBCA, you may, solely at your election, proceed under the Board's small claims procedure for claims of \$50,000 or less or its accelerated procedure for claims of \$100,000 or less. Instead of appealing to the CBCA, you may bring an action directly in U.S. Court of Federal Claims within 12 months of the date you receive this decision, pursuant to section 110 of the ISDEAA, 25 U.S.C. § 450m-1, and the Contract Disputes Act, Title 41 U.S.C. § 601 *et seq.*



United States Department of the Interior
[Applicable Letterhead]

5 IAM 2-H
Illustration 5
Page 1 of 3

Insert Date

Registered Mail - Return Receipt Requested

NOTICE OF WITHHOLDING OF CONTRACT SUPPORT FOR FY [insert fiscal year]

Dear [Tribal Organization Leader]:

You were previously notified that the [insert Bureau or Office] would impose sanctions as a result of the tribe's failure to submit the required single audits to the Secretary. The Indian Self-Determination and Education Assistance Act (ISDEAA) contains the following requirement:

For each fiscal year during which an Indian tribal organization receives or expends funds pursuant to a contract entered into, or grant made, under this subchapter, the tribal organization that requested such contract or grant shall submit to the appropriate Secretary a single-agency [sic] audit report required by chapter 75 of Title 31. [25 U.S.C. 450c (f)] (NOTE: OIEA is the office designated to receive single audit reports on behalf of the Secretary. Remove this note when using this example)

Under the requirements of OMB Circular A-133, recipients are required to file their single audit reports with the Federal Audit Clearinghouse within 9 months of the end of the tribe's fiscal year. According to the records of OIEA and the Federal Audit Clearinghouse your tribe has not submitted its single audit report for fiscal year [insert fiscal year of delinquent audit]. Because you have failed to submit the appropriate audit report, we made payments of all contract funds by way of monthly advance installments during FY [insert the fiscal year in which monthly payments were made].

Withholding of Contract Support

In addition to limiting the tribe to monthly drawdown of program funds, the [insert Bureau or Office] will also withhold all contract support payments during FY [insert current fiscal year] until the Indian tribe/tribal organization submits its delinquent audit report (s) [if more than one year is delinquent letter the letter should be modified to include reports through and including latest fiscal year]. This action is taken pursuant to the authority contained in the Single Audit Act and the implementing guidance issued by the OMB through OMB Circular A-133, Audits

of States, Local Governments and Non-Profit Organizations, which provides:

“In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities shall take appropriate action using sanctions such as:

- (a) Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- (b) **Withholding or disallowing overhead costs;**
- (c) Suspending Federal awards until the audit is conducted; or
- (d) Terminating the Federal award.”

Because the tribe has failed to comply with the audit requirements, during FY [*insert current fiscal year*] we will advance program funds on a monthly basis and withhold all contract support payments until such time as all delinquent audit report(s) is/are received by OIEA.

APPEAL NOTICE

This is a final decision of the Awarding Official. You may appeal this decision to the Civilian Board of Contract Appeals, 1800 F Street, NW, Washington, DC 20405. The Civilian Board of Contract Appeals (CBCA) is the authorized representative of the Secretary of the Interior with jurisdiction to hear and determine appeals relating to contracts (or grants) made by any Bureau or Office of the Department of the Interior.

If you decide to appeal, you must mail or otherwise furnish a written notice of appeal to the CBCA within 90 days of receipt of this decision and provide a copy to the Awarding Official from whose decision the appeal is taken. The notice of appeal must indicate that an appeal is intended, reference this decision, and identify the contract number.

If you appeal to the CBCA, you may, solely at your election, proceed under the Board's small claims procedure for claims of \$50,000 or less or its accelerated procedure for claims of \$100,000 or less. Instead of appealing to the CBCA, you may bring an action directly in the U.S. Court of Federal Claims within 12 months of the date you receive this decision, pursuant to section 110 of the ISDEAA, 25 U.S.C. § 450m-1, and the Contract Disputes Act, Title 41 U.S.C. § 601 *et seq.*

Single audit reports are to be sent to the Federal Audit Clearinghouse and the OIEA at the following addresses:

Federal Audit Clearinghouse 1201 E. 10 th Street Jeffersonville, In. 47132 Phone: (800) 253-0696	U.S. Department of the Interior Office of Internal Evaluation and Assessment 12220 Sunrise Valley Drive Reston, Virginia 20191 E-mail: oiea@bia.gov Phone: (703) 390-6484 Fax: (703) 390-6504
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Sincerely,
[Insert name of awarding official]
[Insert title of awarding official]

cc: OIEA



United States Department of the Interior
[Applicable Letterhead]

Insert Date

Registered Mail - Return Receipt Requested

NOTICE OF INTENT TO REASSUME

Dear [Tribal Organization Leader]:

You have previously received three letters notifying you that the *[insert Bureau or Office]* would impose sanctions as a result of the tribe's failure to submit the required single audits to the Secretary. The Indian Self-Determination and Education Assistance Act (ISDEAA) contains the following requirement:

For each fiscal year during which an Indian tribal organization receives or expends funds pursuant to a contract entered into, or grant made, under this subchapter, the tribal organization that requested such contract or grant shall submit to the appropriate Secretary a single-agency [sic] audit report required by chapter 75 of Title 31. [25 U.S.C. 450c (f)]

(NOTE: OIEA is the office designated to receive single audit reports on behalf of the Secretary. Remove this note when using this example)

Under the requirements of OMB Circular A-133, recipients are required to file their single audit reports with the Federal Audit Clearinghouse within 9 months of the end of the tribe's fiscal year. According to OIEA and the records of the Federal Audit Clearinghouse your tribe/tribal organization has not submitted its single audit report for fiscal year *[insert fiscal year of delinquent audit]*. Because you failed to submit the required single audit report, we have made payments for the last 2 years of all contract funds by way of monthly advances and have withheld all contract support for the past year.

Non-Emergency Re-assumption

The Bureau is authorized to initiate non-emergency re-assumption procedures if there has been gross negligence in the handling of contract funds [25 CFR § 900.247]. The tribe's failure to submit the required audit reports is both a breach of the contract provisions and an indication that there may be gross negligence in the expenditure of Federal funds.

This letter constitutes the first of the two notices the Bureau is required to provide prior to program re-assumption. The tribe has 45 days from the date of the receipt of this letter to provide a single audit report covering FY [*insert fiscal year of delinquent audit*] to OIEA.

Technical Assistance

It is the responsibility of the tribe to hire a certified public accountant to perform the required audit of the financial statements prepared by the tribe and to report on the tribe's system of internal controls and compliance with laws and regulations. If the tribe needs information about auditors who are familiar with the requirements of the Single Audit Act and who have experience in auditing tribal governments, the DOI Office of Inspector General (OIG) maintains a list of audit firms that have been used by other Indian tribes. While the OIG cannot recommend any specific firm, you may obtain a copy of the auditors' mailing list from the OIEA.

Second Notice and Appeal Rights

If the audit report is not received within 45 days of your receipt of this letter, a second letter will be sent which will include information on the tribe's appeal rights.

Single audit reports are to be sent to the Federal Audit Clearinghouse and the OIEA at the following addresses:

Federal Audit Clearinghouse 1201 E. 10 th Street Jeffersonville, In. 47132 Phone: (800) 253-0696	U.S. Department of the Interior Office of Internal Evaluation and Assessment 12220 Sunrise Valley Drive Reston, Virginia 20191 E-mail: oiea@bia.gov Phone: (703) 390-6484 Fax: (703) 390-6504
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We suggest that audits be mailed "return receipt requested."

Sincerely,

[*Insert name of awarding official*]
[*Insert title of awarding official*]

cc: OIEA

United States Department of the Interior
[Applicable Letterhead]

Insert Date

Memorandum to OIEA (all findings resolved & questioned costs reinstated)
Remove this reference when using this example

Memorandum

To: Director, Office Internal Evaluation and Assessment

From: BIA/BIE/OSG Awarding Official

Subject: The Single Audit of the New Tribe of Indians for the Fiscal Year Ended September 30, 2010, (*Report No. ARTT 2010-0000*)

The subject audit report, issued on April 10, 20XX, contained 6 findings and questioned costs of \$22,000 for the Bureau of Indian Affairs/Bureau of Indian Education to resolve.

I have reviewed the subject report and the tribe's/school's response included in the report. I have also reviewed the contract/grant files, discussed the findings with the recipient, and obtained documentation for the questioned costs. It is my determination that the findings are all resolved and that the questioned costs are allowable under the contract and thus are reinstated.

It is my recommendation that the subject audit be closed.

cc: New Tribe of Indians
OIEA

FINDINGS AND DETERMINATION (F&D)
FOR
SINGLE AUDIT REPORT

*Findings and Determination Memorandum (all findings resolved & questioned costs reinstated)
Remove this reference when using this example*

Contractor: Indian Tribal Organization
Atlanta, GA
Telephone (...).....

Audit Report No.: ARTT 2010-0000

Audit Period: Fiscal Year Ended September 30, 2010

Awarding Official: Name
Bureau of Indian Affairs/Bureau of Indian Education
Area/Agency office
Telephone (...).....

Introduction

The Single Audit Act and Office of Management and Budget (OMB) Circular A-133 establish audit requirements for tribal governments that receive Federal financial assistance. In compliance with these requirements, the Indian Tribal Organization had an independent audit conducted for Fiscal Year 2010 by, Certified Public Accountant, in accordance with the Government Auditing Standards. The audit contained six (6) findings and questioned costs which totaled \$22,000. The Office of Internal Evaluation and Assessment (OIEA) received the tribe's/tribal organization's single audit report on [insert date] and forwarded copies of the audit to the Awarding Official on [insert date], for resolution.

Findings

The auditor identified the following areas of non-compliance with internal control procedures:

Finding No. 1: Personnel files were not kept in a secure location in accordance with Privacy Act requirements.

Tribe/school's Response:
(Please insert tribe's/school's management response)

BIA/BIE/OSG Determination:

I have reviewed the Auditor's findings and the tribe/school's response/corrective action plan (CAP) regarding the maintenance of personnel files and determined that the actions taken have fully corrected the issue.

Finding No. 2: Property records were not maintained as required by fiscal procedures manual.

Tribe/school's Response:
(Please insert tribe's/school's management response)

BIA/BIE/OSG Determination:

I have reviewed the Auditor's findings and the tribe/school's response (CAP) regarding the maintenance of personnel files and determined that the plan will fully correct the issue.

Finding No. 3: Some purchase orders did not include two signatures as required in the tribe's fiscal procedures manual.

Tribe/school's Response:
(Please insert tribe's/school's management response)

BIA/BIE/OSG Determination:

I have reviewed the Auditor's findings and the school's response (CAP) regarding its compliance with the requirement that two authorized signatures be on all purchase orders and have determined the plan to be sufficient to correct the issue.

Finding No. 4: Bank accounts were not reconciled monthly.

Tribe/school's Response: By letter dated May 25, 2010, the tribe/school states that they have corrected the internal control issues by hiring a trained accountant and a tribal coordinator who have years of experience working with Indian programs. All internal control procedures are currently being followed.

BIA/BIE/OSG Determination:

I have reviewed the school's letter corrective actions regarding the reconciling of bank accounts and determined their completed actions will sufficiently correct the issue.

Finding No. 5: The tribe/school made payments for penalties and interest in the amount of \$12,000.

Tribe/school's response: By letter dated May 25, 2010, the tribe/school states that they are actively pursuing the collection of loans, and that unallowable expenditures such as interest will be covered from non-Federal sources.

I have reviewed the school's documentation for \$12,000 in question related to payment of penalties and interest. I have determined these cost to be unallowable costs thus they are sustained.

Finding No. 6: Certain per diem and expense reports lacked backup and documentation and there was no evidence of approval before payment. The amount of questioned costs was \$10,000.

Tribe/school's response: By letter dated May 25, 2010, the tribe provided copies of receipts, tickets, and approval letters to support the \$10,000 in questioned costs.

I reviewed the school's documentation for \$10,000 in question and have determined them to be allowable costs; therefore, the questioned costs of \$10,000 are reinstated.

Summary:

I have concluded that the tribe/school's corrective actions completed and/or planned for findings 1 through 4 have or would fully address these issues, therefore I consider these findings resolved.

I have reviewed the tribe/school's documentation for \$10,000 in questioned costs related to finding no. 6 and have determined them to be allowable costs; therefore, the questioned costs of \$10,000 are reinstated. I also concluded that the penalties and interest paid by the tribe/school were unallowable, therefore the \$12,000 in question are sustained.

Name, Awarding Official
Warrant # (if applicable)

Date



United States Department of the Interior
[Applicable Letterhead]

Insert Date

(Appeal Notice)
Remove this reference when using this example

Certified Mail - Return Receipt Requested

....., Chairperson
Indian Tribal Organization
Atlanta, Georgia

Dear Chairperson:

Enclosed is a copy of the Findings and Determination which reflects a final decision of the Awarding Official with respect to the Single Audit Report on the Tribal Organization for the Fiscal Year Ended September 30, 2010 (Report No. *ARTT 2010-0000* issued April 10, 2010), and received by the Secretary, through the Office of Internal Evaluation and Assessment (OIEA) on *[insert date]*.

You have a right to dispute any information contained in the Awarding Official's final decision. Should you elect to file an appeal, the following appeal notice is hereby provided:

APPEAL NOTICE

This is a final decision of the Awarding Official. You may appeal this decision to the Civilian Board of Contract Appeals, 1800 F Street, NW, Washington, DC 20405. The Civilian Board of Contract Appeals (CBCA) is the authorized representative of the Secretary of the Interior with jurisdiction to hear and determine appeals relating to contracts (or grants) made by any Bureau or Office of the Department of the Interior.

If you decide to appeal, you must mail or otherwise furnish a written notice of appeal to the CBCA within 90 days of receipt of this decision and provide a copy to the Authorizing Official from whose decision the appeal is taken. The notice of appeal must indicate that an appeal is intended, reference this decision, and identify the contract number and the audit report number.

If you appeal to the CBCA, you may, solely at your election, proceed under the Board's small claims procedure for claims of \$50,000 or less or its accelerated procedure for claims of \$100,000 or less. Instead of appealing to the CBCA, you may bring an action directly in the U.S. Court of Federal Claims within 12 months of the date you receive this decision.

Sincerely,
[Insert name of "Awarding Official"]
[Insert title of awarding official]

cc: OIEA

*Findings and Determination Memorandum (findings not resolved & questioned costs sustained),
Remove this reference when using this example*

FINDINGS AND DETERMINATION (F&D)
FOR
SINGLE AUDIT REPORT

Contractor: Indian Tribal Organization
Atlanta, GA
Telephone (...).....

Audit Report No.: ARTT 2010-0000

Audit Period: Fiscal Year Ended September 30, 2010

Awarding Official: Name
Bureau of Indian Affairs/Bureau of Indian Education
Area/Agency office
Telephone (...).....

Introduction

The Single Audit Act and Office of Management and Budget (OMB) Circular A-133 establish audit requirements for tribal governments that receive Federal financial assistance. In compliance with these requirements, the Indian Tribal Organization had an independent audit conducted for Fiscal Year 2010 by, Certified Public Accountant, in accordance with the Government Auditing Standards. The audit contained six (6) findings and questioned costs which totaled \$22,000. The Office of Internal Evaluation and Assessment (OIEA) received the tribe's/tribal organization's single audit report on [insert date] and forwarded copies of the audit to the Awarding Official on [insert date], for resolution.

Findings

The auditor identified the following areas of non-compliance with internal control procedures:

Finding No. 1: Personnel files were not kept in a secure location in accordance with Privacy Act requirements.

Tribe/school's Response:
(Please insert tribe's/school's management response)

BIA/BIE/OSG Determination:

I have reviewed the Auditor's findings and the tribe/school's response/corrective action plan (CAP) regarding the maintenance of personnel files and determined that the actions taken have fully corrected the issue.

Finding No. 2: Property records were not maintained as required by fiscal procedures manual.

Tribe/school's Response:
(Please insert tribe's/school's management response)

BIA/BIE/OSG Determination:

I have reviewed the Auditor's findings and the tribe/school's response (CAP) regarding the maintenance of personnel files and determined that the plan will fully correct the issue.

Finding No. 3: Some purchase orders did not include two signatures as required in the tribe's fiscal procedures manual.

Tribe/school's Response:
(Please insert tribe's/school's management response)

BIA/BIE/OSG Determination:

I have reviewed the Auditor's findings and the school's response (CAP) regarding its compliance with the requirement that two authorized signatures be on all purchase orders and have determined the plan to be sufficient to correct the issue.

Finding No. 4: Bank accounts were not reconciled monthly.

Tribe/school's Response: The tribe's/school's May 25, 2010 letter states that they have corrected the internal control issues by hiring a trained accountant and a tribal coordinator who have years of experience working with Indian programs. All internal control procedures are currently being followed.

BIA/BIE/OSG Determination:

I have reviewed the school's letter detailing the corrective actions regarding the reconciling of bank accounts and determined their completed actions will sufficiently correct the issue.

Finding No. 5: The school made payments for penalties and interest in the amount of \$12,000.

Tribe/school's response: The tribe's/school's May 25, 2010 letter states that they are actively pursuing the collection of loans, and that unallowable expenditures such as interest will be covered from non-Federal sources.

I've reviewed the school's documentation for \$12,000 in question related to payment of penalties and interest. I have determined these cost to be unallowable costs, thus they are sustained.

Finding No. 6: Certain per diem and expense reports lacked backup and documentation and there was no evidence of approval before payment. The amount of questioned costs was \$10,000.

Tribe/school's response: The tribe's May 25, 2010 letter and attachments provided copies of receipts, tickets, and approval letters to support the \$10,000 in questioned costs.

I reviewed the school's documentation for \$10,000 in question and have determined them to be allowable costs. Therefore, the questioned costs of \$10,000 are reinstated.

Summary:

I have concluded that the tribe/school's corrective actions completed and/or planned for findings 1 through 4 have or would fully address these issues, therefore I consider these findings resolved.

I have reviewed the tribe/school's documentation for \$10,000 in questioned costs related to finding no. 6 and have determined them to be unallowable costs. Therefore, the questioned costs of \$10,000 are sustained (disallowed). I also concluded that the tribe/school misapplied the \$12,000 in questioned costs related to finding no. 5. As a result, I have sustained (disallowed) all cost in question related to findings nos. 5 & 6. A bill-of-collection will be issued requiring you to reimburse the *[insert Bureau or Office]* a total of \$22,000.

Name, Awarding Official
Warrant # (if applicable)

Date



United States Department of the Interior
[Applicable Letterhead]

Insert Date

*Memorandum to OIEA (findings not resolved & questioned costs sustained,
Remove this reference when using this example*

Memorandum

To: Director, Office of Internal Evaluation and Assessment

From: Bureau of Indian Affairs/Bureau of Indian Education
Awarding Official

Subject: Single Audit of the New Tribe of Indians for the Fiscal Year Ended September 30, 1999, Report No. *ARTT 2010-0000*.

The subject audit report, issued on April 10, 2010, contained six findings and questioned costs of \$22,000 for the Bureau of Indian Affairs to resolve.

I have reviewed the subject report and the tribe/school's response included in the report. I have also reviewed the contract/grant files and discussed the findings with the recipient. It is my determination that the internal control findings are all resolved. However, due to the lack of supporting documentation I have sustained (disallowed) the \$10,000 of the questioned costs related to finding 6. In addition, I have concluded that the tribe/school misapplied the \$12,000 questioned in finding 5; therefore I have sustained (disallowed) that cost as well. The attached memorandum and Findings and Determination notified the recipient that all \$22,000 of the questioned costs were disallowed and must be repaid to the *[insert Bureau or Office]*.

Attachments

cc: New Tribe of Indians
OIEA



United States Department of the Interior
[Applicable Letterhead]

Insert Date

Request for Collection Action (National Business Center)
Remove this reference when using this example

Memorandum

To: National Business Center, DOI
ATTN: Accounts Receivable

From: *(name)*
Awarding Official, *(office/region)*

Subject: Request for Bill for Collection – Audit Report # *(number)*

Please issue a Bill for Collection #SC *(audit report number)* in the sum of \$(*total amount*) to:

(Customer name)
(ATTN:)
(address)
(address)
(address)

The attached Findings and Determination dated *(date)* is the basis for this action. This bill is to be credited to the following accounting line(s) charged under the original award.

(Organization/BFY(s)/Program/Job # (if applicable)/ Object Class)
Example: D55F14/20092010/E3000/252I

Please provide this office with a copy of the Bill for Collection. If you have questions or need additional information, please call me on *(phone number)*.

Attachment

cc: Regional Office, Accounting Management
Office of Internal Evaluation and Assessment



United States Department of the Interior
[Applicable Letterhead]

[Insert date]

Request for Suspended Collection Action
Remove this reference when using this example

Memorandum

To: National Business Center, DOI
ATTN: Accounts Receivable

From: *(name)*
Awarding Official, *(office/region)*

Subject: Request for Suspended Action – Audit Report # *(number)*

Please permanently/temporarily suspend collection efforts related to Bill for Collection #SC
(audit report number) in the sum of \$*(total amount)* to:

(Customer name)
(ATTN:)
(address)
(address)
(address)

The attached revised Findings and Determination dated *(date)* is the basis for this action. If you have questions or need additional information, please call me on *(phone number)*.

Attachment

cc: Regional Office, Accounting Management
Office of Internal Evaluation and Assessment

Frequently Asked Questions & Answers

1. WHAT IS AUDIT RESOLUTION?

Audit resolution for most audits is the point at which the audit organization and agency management or contracting officials agree on action to be taken on reported findings and recommendations; or, in the event of disagreement, the point at which the audit follow up official determines the matter to be resolved. A report may be considered resolved despite the right of persons outside the agency to negotiate, appeal, or litigate. Resolution of a report with respect to parties outside the Federal Government does not preclude further consideration of issues in the report by agency management (see OMB Circular A-50.)

2. RECEIPT BY WHICH OFFICE STARTS THE TIME RUNNING FOR THE 365-DAY RULE?

The so-called “365-Days Rule” limits the authority of the IA to bill or collect disallowed costs as a result of a single audit report, unless notice of the disallowance has been rendered within 365 days of receipt of the single audit report by the Secretary of the Interior. The Office of Internal Evaluation and Assessment (OIEA) (formerly known as the Office of Audit and Evaluation) is the office designated to receive copies of the single audit reports on behalf of the Secretary, therefore the date the single audit report is received by OIEA is the official date of receipt. The receipt date should appear in the transmittal memorandums issued by OIEA.

3. WHAT IS THE AWARDING OFFICIAL REQUIRED TO DO WHEN A SINGLE AUDIT REPORT IS RECEIVED WITH AN ACCOMPANYING MEMORANDUM FROM THE OIEA?

In general, when an Awarding Official (AO)/Education Line Officer (ELO) receives a single audit report with an accompanying memorandum from OIEA, the AO/ELO should immediately review each finding/issue assigned to them by OIEA and their corresponding Corrective Action Plan (CAP), if available. Assess whether the CAP is sufficient to resolve the finding/issue or if additional information is needed from the auditee. The CAP must meet the requirements of OMB Circular A-133.

OIEA will issue an audit report and assign findings to IA to resolve. A reply to OIEA will be required by a specified date, usually 90 days from the date of the transmittal memorandum. In all cases where findings are assigned, the AO/ELO will need to issue a findings and determination memorandum (F&D) to the tribe/tribal organization. If there are questioned costs identified, the F&D must include the AO/ELO’s disposition (sustained or reinstated) on the costs in question.

The following are several specific report scenarios:

A. No Audit Findings or Questioned Costs or Other Concerns

Although there are no findings or other issues identified in the report, OIEA will provide the applicable AO/ELO with a copy of the report for their information and use. When there are no audit findings or questioned costs and no other concerns, the memorandum from OIEA will indicate that no response from the AO/ELO is necessary. The AO/ELO should advise the tribe/tribal organization that the report has been reviewed and because there were no findings or other concerns, no follow-up actions on the audit report will be taken by the Bureau.

B. No Audit Findings or Questioned Costs, But Other Concerns

When there are no audit findings or questioned costs, but there are other concerns detected by OIEA and identified in its memorandum, OIEA may or may not indicate that a response is necessary depending on the significance of the issue/concern. If a response is requested, the AO/ELO will be required to provide a response within 90 days. The AO/ELO should follow-up with the auditee to discuss the other concerns and provide OIEA with the results of the discussion by the prescribed due date.

Even when no reply is requested by OIEA, concerns in a current audit report can worsen if the matter is not discussed with the auditee and the auditee fails to take the necessary actions to address the problem. "Other concerns" will primarily involve protection of Federal funds, the proper use of DOI funds, and the potential misapplication of Federal funds. The AO/ELO's reply to OIEA should indicate the actions that the tribe/tribal organization will be taking to overcome the concerns or issues and what actions the AO/ELO may be taking to mediate the problem.

C. Federal Award Findings, but No Questioned Costs, and No Other Concerns

When there are Federal award findings with no questioned costs and no other concerns, the memorandum from OIEA will request a response. The AO must review the audit report and CAP, if included, and determine whether the planned actions will address the Federal award finding(s). If a CAP is not provided, the AO/ELO should contact the tribe/tribal organization and assist them, if necessary, in developing a CAP.

D. Federal Award Findings, No Questioned Costs, But, Other Concerns

Where there are Federal award findings with no questioned costs, but other concerns, the memorandum from OIEA will request a response within 90 days. The AO/ELO must review the audit report and CAP(s), if included, and determine whether the planned actions will address the Federal award findings. The AO/ELO should also review the concerns raised by OIEA and begin to address those concerns with the tribe/tribal organization. OIEA may actually identify an amount of potentially misapplied funds (questioned costs) that will need to be addressed. The AO/ELO must respond to OIEA on all assigned findings and the other concerns.

E. Federal Award Findings, Questioned Costs, No Other Concerns

When there are Federal award findings with questioned costs and no other concerns, the memorandum from OIEA will request a response within 90 days. As stated above, the 365-day rule begins when the report is received; therefore, it's important to begin addressing the Federal award finding(s) with questioned costs immediately after the AO/ELO receives the audit report. The AO/ELO must review the audit report and CAP(s), if included, and determine whether the planned actions will address the Federal award finding(s). The AO/ELO should also determine whether the questioned costs should be sustained (disallowed) or whether the questioned costs should be reinstated (allowed). The AO/ELO will need to issue an F&D, including a disposition on the costs in question, to the tribe/tribal organization and provide copies of all correspondence to OIEA.

F. Federal Award Findings, Questioned Costs, Other Concerns

When there are Federal award findings with questioned costs and other concerns, the memorandum from OIEA will request a reply within 90 days. As stated above, the 365-day rule begins when the report is received by OIEA; therefore, it's important to begin addressing the Federal award finding(s) with questioned costs immediately after the AO/ELO receives the audit report. The AO/ELO should review the audit report and CAP(s), if included, and determine whether the planned actions will address the Federal award finding(s). The AO/ELO should also determine whether the questioned costs should be sustained (disallowed) or whether the questioned costs should be reinstated (allowed). The AO/ELO will need to issue an F&D, including a disposition on the costs in question, to the tribe/tribal organization and provide copies of all correspondence to OIEA.

***NOTE:** If an AO/ELO receives an advanced copy of a tribe/tribal organization's single audit report, they do not have to wait for a memorandum from OIEA to begin reviewing the audit report and, if applicable, addressing the findings/issues. However, the AO/ELO should verify whether that report was received by OIEA. The AO/ELO should review the audit report to determine whether it is a complete reporting package and whether the CAP meets the OMB requirements (see OMB Circular A-133 Sections .315 (c) and .320 (c)). The CAP is sometimes no more than a comment on the finding by the tribal organization. If there was no CAP provided or the AO/ELO believes the CAP provided does not meet the requirements or will not resolve the finding, the AO/ELO should contact the tribe/tribal organization and inform them that the CAP submitted was deficient and/or did not meet the requirements, and an appropriate CAP must be submitted.*

4. WHAT ACTIONS NEED TO BE TAKEN WHEN THE AUDIT REPORT CONTAINS FINANCIAL STATEMENT FINDINGS?

When there are only financial statement findings and no other concerns, the memorandum from OIEA will usually not request a response. However, occasionally OIEA reviews an audit report which contains financial statement findings only and no other concerns but the findings are such that the administration of IA funds appears to be affected.

In these cases OIEA will require the AO/ELO to discuss these issues with the auditee and make a determination as to whether these issues have impeded the tribe/tribal organization's ability to

administer IA funds.

5. WHAT ARE FEDERAL AWARD FINDINGS AND QUESTIONED COSTS? WHAT ACTIONS NEED TO BE TAKEN TO RESOLVE THEM?

Federal award findings are audit findings/deficiencies which the auditor is required to report. The auditors are required to report the following, if applicable:

1. Reportable conditions in internal control over major programs.
2. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program.
3. Known questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor.
4. Known questioned costs which are greater than \$10,000 for a Federal program which is not audited as a major program.
5. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.
6. Known 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.
7. Instances where the results of audit follow up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresent the status of any prior audit finding.

Questioned Costs are costs that the auditor has questioned because of an audit finding or a potential misapplication of IA funds. The following are the reasons costs are questioned:

1. costs which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds, including funds used to match Federal funds;
2. where the costs, at the time of the audit, are not supported by adequate documentation; or
3. where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

An AO/ELO can sustain (disallow) the questioned cost, or reinstate (allow) the questioned costs; and can also disallow some of the costs and allow some, as it is not an all or nothing situation. Whether the questioned costs are a result of (1), (2), or (3), above, can impact how to resolve the questioned costs.

6. WHAT IS A FINDINGS AND DETERMINATION AND WHEN IS IT NECESSARY?

A Findings and Determination (F&D) is a memorandum, prepared by the AO/ELO, notifying the auditee that a determination as to whether the audit report findings have been addressed satisfactorily, and also (if applicable), the management decision {sustained (disallowed) or reinstated (allowed)} on all IA program costs in question.

7. WHAT IS A CORRECTIVE ACTION PLAN (CAP)?

Actions taken or planned by the auditee that: (1) corrects identified deficiencies, (2) produces recommended improvements, or (3) demonstrates that audit findings are either invalid or do not warrant auditee actions. The CAP must provide the name (s) of the responsible person (s); the finding specific corrective actions; and the anticipated completion date. If the auditee does not agree with the audit findings or believes the corrective action is not required, the explanation and specific reasons should be included in the CAP.

8. WHAT ARE THE PROCEDURES FOR IMPOSING SANCTIONS ON INDIAN TRIBAL ORGANIZATIONS FOR NON-COMPLIANCE WITH THE SINGLE AUDIT ACT?

AOs/ELOs are responsible for monitoring Indian tribal organizations to ensure performance of single audits and timely submission of the audit reports. The general procedures for imposing sanctions are outlined in 5 IAM 2 Section 1.8. In addition, sample letters are provided as Illustrations above. However, sample letters cannot be provided to address all possible circumstances. Consequently, AOs/ELOs should review the sample letters carefully before using them and make the changes as needed to meet the particular circumstance.

The authority for imposing sanctions on Indian tribes and tribal organizations for failure to file a single audit report is contained in OMB Circular A-133. Copies of all sanction letters sent to Indian tribes and tribal organizations, including reminder letters, should be sent to OIEA.

A. Reminder Letter

About 90 days before an audit report is due, a request for submission of a single audit report letter similar to that shown in Illustration 2 should be sent to the Indian tribe/tribal organization advising them of the need to file their audit report by the due date or be subject to sanctions for non-compliance. The requirement to file with OIEA and the Federal Audit Clearinghouse should be stated with the addresses given for both.

B. Notice of Sanctions - Change in Payment Method

If the audit report has not been received by OIEA by the due date, Level 1 sanctions on the Indian tribal organization should be imposed, in the contracting period immediately following the due date. A letter of Notice of Sanctions – Change in Payment Method similar to Illustration 4 should be sent, return receipt requested, to the Indian tribal organization. The notice is to inform the Indian tribal organization that because it has failed to submit to OIEA an audit report, payment of all grant funds, including contract support costs, will be in monthly advance installments until all delinquent audits have been submitted.

C. Notice of Sanctions – Withholding of Contract Support Funds

If the audit report has not been received by OIEA by the end of the next fiscal year after the due date, Level 2 sanctions on the Indian tribal organization should be imposed. In the contracting period immediately following the 2nd year after the due date, a letter of Notice of Sanctions – Withholding of Contract Support Funds similar to Illustration 5 should be sent, return receipt requested, to the Indian tribal organization. The notice is to inform the Indian tribal organization that because it has failed to submit to OIEA its audit report, in addition to limiting it to monthly drawdown of all grant funds, contract support payments will be withheld until the audit report is submitted.

This action is subject to appeal, and the Indian tribal organization should be informed that they have an option of appealing this decision. Appeals from this action are governed by the regulations contained in Subpart N of 25 CFR Part 900.

D. Notice of Intent – Non-Emergency Re-assumption

If the Indian tribal organization is approaching two years overdue in submitting its audit reports and is already on Level 2 sanctions, a Notice of Intent similar to Illustration 6 could be sent 90 days before the end of the second year that the audit report is delinquent. A second notice should be sent about 45 days before the end of the second year that the audit report was due.

The staff of the appropriate DOI Solicitor's Office should be contacted, both to put them on notice of a potential legal proceeding and to obtain a legal review and any additional advice. The Regional Supervisory Self-Determination Officer should be able to identify the appropriate staff to contact, if needed.

Non-emergency re-assumption is to be initiated because the failure to submit a single audit report for three years is considered gross negligence in the handling of contract funds. An Indian tribe/tribal organization that is unable to meet the single audit reporting requirements is likely to be experiencing other financial management difficulties. Consequently, an Indian tribe/tribal organization that is delinquent in the submission of audits should work with its AO/ELO to overcome its deficiencies.

E. Notice of Non-Emergency Re-assumption

If the audit report (s) has (have) not been received within the two years after the due date, Level 3 sanctions should be imposed on the Indian tribe/tribal organization. The notice should state the intended effective date of the re-assumption; the details and facts supporting the intended re-assumption, including a clear identification of the specific programs or contracts involved; and an explanation of an Indian tribe/tribal organization's appeal rights and the right to a formal hearing within 30 days of the notice(see Illustration 5.)

As stated above, the Solicitor's Office staff should be contacted before sending out a Notice of Intent. Contact should be maintained with the Solicitor's Office for continuing legal advice. Non-Emergency Re-assumption actions are governed by the regulations contained in 25 CFR Part 900 Subparts L and P.

9. WHAT ARE THE CONDITIONS THAT MUST BE MET FOR AN INDIAN TRIBE OR TRIBAL ORGANIZATION TO BE REMOVED FROM SANCTIONS FOR NON-COMPLIANCE WITH THE SINGLE AUDIT ACT?

To be removed from sanctions, an Indian tribe/tribal organization must file all of its overdue single audit reports. The audit report(s) must be filed with OIEA and the Federal Audit Clearinghouse. If reports are directly submitted to a Bureau agency or regional office, a copy must also be forwarded immediately to OIEA so that the Indian tribe/tribal organization can be removed from the delinquency single audit report submissions list.

The level of sanctions imposed should be based on the most delinquent audit report. An Indian tribe/tribal organization should not be removed from sanctions until all overdue audit reports are submitted. Indian tribe/tribal organizations should not be removed from sanctions until OIEA has received the audit report(s) in **final** form (not drafts). A draft of the audit report or statements that the "report is in the mail" is not a sufficient action to remove the imposed sanctions.

Frequently when Indian tribes or tribal organizations are delinquent in submitting their single audit reports, they are more than just one report in arrears. The Indian tribe/tribal organization may be two and sometimes three or more audits behind. Often an Indian tribe/tribal organization will submit one of its delinquent audit reports about the time the current year's report is due. However, the Indian tribe/tribal organization is still delinquent and subject to continued sanctions, until all delinquent reports are submitted. The Indian tribe/tribal organization may be delinquent in the filing of one audit report, but file a subsequent year audit report timely. However the sanctions continue until all delinquent reports are submitted. Because of the different possibilities, the sample letters under Question #8 may need to be modified to meet the particular circumstances.

For example, Indian Tribe XYZ, is delinquent in filing its 2009 audit report; as a result, the tribe is sent a warning letter and subsequently a notice of change in payment method letter. A year later the 2010 audit report is coming due and the XYZ has not submitted its 2009 audit report. Consequently, the warning letter should indicate that because 2009 is approaching a year overdue, XYZ will be subject to Level 2 sanctions for the delinquency of the 2009 audit report. However, since its 2010 audit report will shortly be overdue, even if the 2009 is submitted, XYZ

will still be subject to Level 1 sanctions until the 2010 report is also submitted.

Another possibility with the example of Indian Tribe *XYZ* is that although it is delinquent in the submission of its 2009 audit report, it submits its 2010 audit report timely. In this scenario would the tribe be subject to sanctions, and if so what Level?

Yes, *XYZ* would be subject to sanctions because it is delinquent in submitting its 2009 audit report and it would be subject to Level 2 sanctions in the subsequent year based on the delinquency of its 2009 audit report. Submitting the current 2010 audit report does not make *XYZ* current in the submission of its prior year delinquent single audit reports.