

# PUBLIC SUBMISSION

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**Docket:** DOE-HQ-2012-0004  
U.S. Department of Energy Audit Guidance: For-Profit Recipients

**Comment On:** DOE-HQ-2012-0004-0001  
Audit Guidance: For-Profit Recipients

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## General Comment

See attached file(s)

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## Attachments

Comments on Revised 316 Audit Guidance\_Federal Register Dec 21 2011

U.S. Department of Energy Audit Guidance  
For-Profit Recipients  
Federal Register – December 21, 2011  
Comments

General Audit Program (Part I)

1. Section E – Audit Objectives

The “Threshold of \$500,000 According to this Guidance” paragraph states that “*When a for-profit recipient has multiple DOE awards and one or more of the awards have expenditures of \$500,000 or more, a compliance audit is required for each of the awards with \$500,000 or more in expenditures.*” Policy Flash 2011-80 indicated that this section would be clarified (reference FAQ’s 17 and 18), but it doesn’t appear to be the case. The sentence above still appears to require multiple audit reports; i.e., a separate compliance audit for each DOE award that expends \$500K or more in a given fiscal year.

From a DOE field office perspective, we responded to several requests from various recipients and independent auditors to clarify this section of the original guidance. Our interpretation of the threshold, and our response, was always consistent: that the independent auditor should issue a single, consolidated compliance audit report that rendered an audit opinion as specified in the DOE financial assistance regulation (10 CFR 600.316) and the 316 audit guidance, no matter the number of DOE awards.

Nevertheless, in a few instances our office received multiple compliance audit reports (i.e., two separate audit reports for two individual DOE awards) from a recipient having multiple awards in excess of the \$500K threshold, while in most instances we received one, consolidated compliance audit report from a recipient having multiple awards in excess of the threshold. Obviously, the language in this section caused confusion and will continue to cause confusion until it is clearly communicates DOE’s requirement to our recipients and their independent auditors.

Can’t the guidance clearly specify that DOE requires one compliance audit report per recipient no matter how many financial assistance awards are audited as part of the 316 audit requirement? The independent auditor must apply the compliance requirements (Part II) to each award that expends \$500K or more as part of its audit scope, but only one, single audit report is to be issued.

2. Section H – Basis for Determining DOE Awards Expended

In the field office, we received a lot of questions as to when DOE funds were considered expended. Several recipients considered this to mean when they received reimbursement from DOE for invoices submitted for payment. Our response was that DOE funds are considered expended when they are incurred (accrued) and put on the recipient’s books and records in accordance with generally accepted accounting principles. DOE reimbursement is

not considered in the determination of when funds have been expended. It is recommended that this clarification be included in the guidance under this section.

### 3. Section R – Audit Reporting

The revised guidance has gone to great lengths to clarify that auditing a recipient's financial statements is not the focus of this 316 audit guidance. Several earlier sections in this General Audit Program make it a point that DOE is not requiring an audit of financial statements solely to address this audit requirement and DOE will not recognize and/or reimburse any costs associated with the financial statement audit as direct costs to any DOE award.

Why then, is the very first bullet under this section indicating that the reporting package shall include the audited financial statements of the recipient?

It is recommended that the bulleted items under this section be re-prioritized to reflect the intent and purpose of DOE's revised guidance (i.e., to re-focus the independent auditors and recipients on conducting a compliance audit and making the audited financial statements a secondary priority). The emphasis on the compliance aspects of the 316 requirement should provide DOE with a more meaningful audit, and hopefully, at a much more reasonable price.

## General Compliance Supplement (Part II)

### 1. Section H – Reporting

Under the paragraph for “Financial Reporting”, item #4, *Schedule of Expenditures of DOE Federal Awards*, is listed, with a sentence that explains the information required. In reviewing the Federal Reporting Assistance Checklist (DOE Form 4600.2), this reporting form cannot be found. Can the requirement for this form be clarified? The schedule of DOE awards and expenditures required in Part I of the General Audit Program (reference Sections N and R) does not require the level of detail (i.e., by cost element) that is stated in this compliance supplement.

### 2. Section H – Reporting

A major component of negotiating and administering a financial assistance award with a for-profit recipient is the review and monitoring of its indirect cost rates. The DOE Federal Reporting Assistance Checklist, under Section E – Other Reporting, lists the Annual Indirect Cost Proposal as a reporting requirement when the appropriate box is checked.

It is recommended that this particular compliance supplement (Section H – Reporting) add specific language that requires the independent auditor to review and assess whether the recipient is complying with this reporting requirement (i.e., has the recipient prepared and submitted the required indirect cost proposal to DOE or another Federal agency).