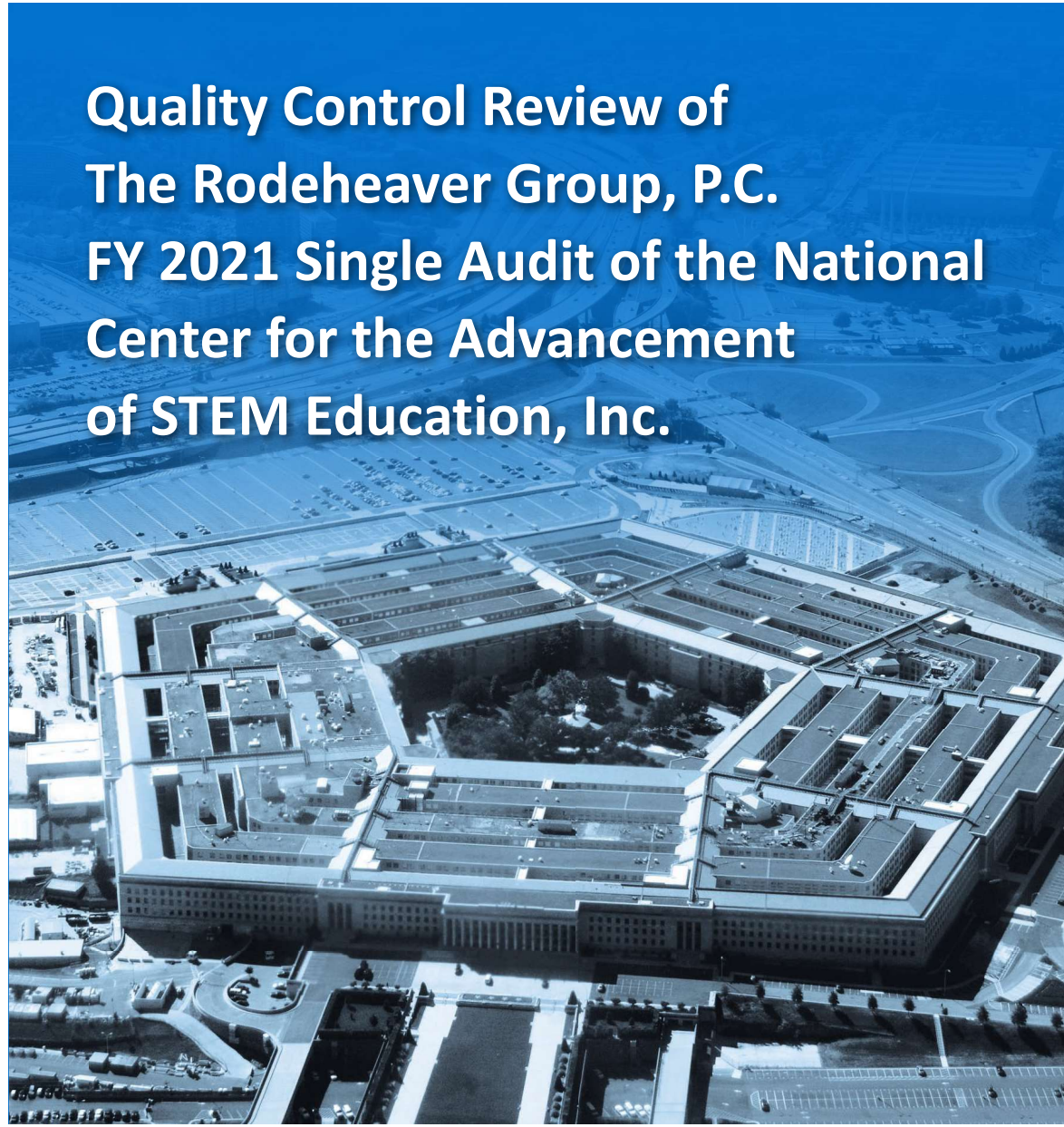




INSPECTOR GENERAL

U.S. Department of Defense

NOVEMBER 29, 2023



Quality Control Review of The Rodeheaver Group, P.C. FY 2021 Single Audit of the National Center for the Advancement of STEM Education, Inc.





Results in Brief

Quality Control Review of The Rodeheaver Group, P.C. FY 2021 Single Audit of the National Center for the Advancement of STEM Education, Inc.

November 29, 2023

Objective

The objective of this quality control review was to determine whether The Rodeheaver Group, P.C. (RGroup) performed the FY 2021 single audit of the National Center for the Advancement of STEM Education, Inc. (nCAGE) in accordance with generally accepted government auditing standards and Federal requirements for single audits.

Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a year are subject to the requirements of Public Law 104-156, "Single Audit Act Amendments of 1996" (the Single Audit Act), and title 2 Code of Federal Regulations part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

The nonprofit organization nCAGE was formed to develop more science, technology, engineering, and mathematics professionals in the United States and to bring together businesses, governments, universities,

Background (cont'd)

teachers, scientists, and engineers. In FY 2021, nCAGE spent approximately \$6.3 million in DoD funds on one major program, the Research and Development Cluster. The RGroup performed the nCAGE FY 2021 single audit.

Finding

The RGroup auditors did not comply with generally accepted government auditing standards and Uniform Guidance requirements when performing the FY 2021 single audit of nCAGE because the RGroup auditors did not:

- obtain sufficient, appropriate evidence to support their conclusions that the Procurement and Suspension and Debarment (Procurement) and Special Tests and Provisions (Special Tests) compliance requirements were not direct and material to the major program;
- perform adequate audit procedures or obtain sufficient audit evidence to support their conclusion that nCAGE complied with the Cash Management compliance requirement;
- select an appropriate sample to test nCAGE internal controls and compliance with the Subrecipient Monitoring compliance requirement; and
- prepare working papers that provided a clear description of the procedures they performed and the evidence they obtained for the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

As a result, Federal agencies cannot rely on the nCAGE FY 2021 single audit to administer and monitor Federal awards because the audit documentation did not provide sufficient, appropriate evidence to support the audit conclusions and the reported audit opinion on nCAGE's compliance with Federal requirements.



Results in Brief

Quality Control Review of The Rodeheaver Group, P.C. FY 2021 Single Audit of the National Center for the Advancement of STEM Education, Inc.

Recommendations

We recommend that the RGroup Audit Principal direct the RGroup auditors to:

- perform and document additional audit procedures to evaluate whether the Procurement and Special Tests compliance requirements are direct and material to the FY 2021 single audit and perform any additional audit procedures necessary for those compliance requirements that the RGroup auditors determine to be direct and material;
- perform and document audit procedures to test nCASE's internal control and compliance with the Cash Management compliance requirement;
- select additional subrecipient transactions to align with the American Institute of Certified Public Accountants sample size guidelines, perform audit procedures on the selected transactions, and document the procedures to provide sufficient, appropriate evidence on the internal controls and compliance with the Subrecipient Monitoring compliance requirement;

- revise the FY 2021 single audit working papers to provide a clear description of the audit procedures the auditors performed and the evidence they obtained that supports their conclusions on the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements; and
- update the FY 2021 single audit report of nCASE for the results of the additional audit procedures they perform.

Management Comments and Our Response

The RGroup Audit Principal agreed with our recommendations. Comments from the RGroup Audit Principal addressed the specifics of the recommendations; therefore, the recommendations are resolved but remain open. We will close the recommendations after we verify that the RGroup has implemented corrective actions that fully address the recommendations.

Please refer to the recommendations table on the next page.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
The Rodeheaver Group, P.C.	None	1.a, 1.b, 1.c, 1.d, and 1.e	None

Note: The following categories are used to describe management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – The DoD Office of Inspector General verified that the agreed-upon corrective actions were implemented.





OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 29, 2023

Audit Principal
The Rodeheaver Group, P.C.

SUBJECT: Quality Control Review of The Rodeheaver Group, P.C. FY 2021 Single
Audit of the National Center for the Advancement of STEM Education, Inc.
(Report No. DODIG-2024-035)

This final report provides the results of the DoD Office of Inspector General's quality control review. We conducted this quality control review in accordance with the Council of the Inspectors General on Integrity and Efficiency "Quality Standards for Inspection and Evaluation," published in December 2020. We previously provided a copy of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. The management comments are included in their entirety as an appendix to this report.

The Rodeheaver Group, P.C. Audit Principal agreed to address all of the recommendations presented in the report; therefore, we consider the recommendations resolved and open. As described in the Recommendations, Management Comments, and Our Response section of this report, we will close the recommendations when you provide us documentation showing that The Rodeheaver Group, P.C. has completed all agreed-upon corrective actions to implement the recommendations. Therefore, upon completion of the corrective actions for the FY 2021 single audit of the National Center for the Advancement of STEM Education, Inc., please notify us of the specific actions taken in response to the recommendations. Send your notice to [REDACTED].

If you have any questions, please contact [REDACTED] at [REDACTED].

FOR THE INSPECTOR GENERAL:

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is positioned above the printed name.

Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering, and Oversight

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Introduction

Objective

The objective of this quality control review was to determine whether The Rodeheaver Group, P.C. (RGroup) performed the FY 2021 single audit of the National Center for the Advancement of STEM Education, Inc. (nCASE) in accordance with generally accepted government auditing standards (GAGAS) and Federal requirements for single audits.¹ Appendix A contains our scope and methodology. Appendix B lists the compliance requirements that the RGroup auditors identified as direct and material to nCASE's major program for the fiscal year that ended December 31, 2021.

Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year are subject to the requirements of Public Law 104-156, "Single Audit Act Amendments of 1996" (the Single Audit Act), and title 2 Code of Federal Regulations (CFR) part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.²

In accordance with the Uniform Guidance, non-Federal entities must have an annual single or program-specific audit performed in accordance with GAGAS. Non-Federal entities must also submit a complete single audit reporting package to the Federal Audit Clearinghouse.³ The single audit includes an audit of the non-Federal entity's financial statements and Federal awards. Auditors performing a single audit determine whether the financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. In addition, the auditors perform procedures on the non-Federal entity's internal

¹ The Government Accountability Office's "Government Auditing Standards" incorporates the American Institute of Certified Public Accountants' "Codification of Statements on Auditing Standards" (AU-C). Title 2 CFR part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," subpart F, "Audit Requirements," identifies the Federal requirements for single audits.

² Office of Management and Budget, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," commonly referred to as the Uniform Guidance, implemented in 2 CFR part 200, January 2021.

³ The single audit reporting package includes the auditor's reports, the financial statements, the schedule of expenditures of Federal awards, the summary schedule of prior audit findings, and a corrective action plan as 2 CFR sec. 200.512(c) requires. The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. As 2 CFR sec. 200.512(g) requires, the Federal Audit Clearinghouse maintains a database of completed audits, provides appropriate information to Federal agencies, and performs follow-up with auditees that have not submitted the required information.

controls over Federal programs. Also, the auditors determine whether the non-Federal entity complied with Federal laws and regulations and the terms and conditions of Federal awards that may have a direct and material effect on its major programs. The Single Audit Act and Uniform Guidance require Federal agencies to assess the quality of single audits. Our quality control review of the nCASE FY 2021 single audit satisfies this requirement.

nCASE Conducts Activities to Increase Interest and Engagement in Science, Technology, Engineering, and Mathematics

The non-profit organization nCASE was formed to develop more science, technology, engineering, and mathematics (STEM) professionals in the United States and to bring together businesses, governments, schools, teachers, scientists, engineers, and students. The program activities of nCASE are intended to increase student interest and engagement in STEM by providing resources to schools, teachers, and students. Support provided by nCASE includes scholastic competitions, educator training workshops, and supplies for STEM activities. In FY 2021, nCASE spent approximately \$6.3 million in DoD funds on one major program, the Research and Development Cluster.⁴

RGroup Performed the Single Audit

RGroup performed the FY 2021 single audit of nCASE. RGroup provides audit and accounting, tax, and business development services to clients in Western Maryland, West Virginia, and surrounding communities. As required by GAGAS, RGroup is responsible for establishing and maintaining a system of quality control. The system of quality control must provide reasonable assurance that the audit organization and its staff comply with professional standards and legal and regulatory requirements.⁵ RGroup must also obtain an external peer review of its quality control system conducted by reviewers who are independent of the audit organization.⁶ The most recently published external peer review report concluded that RGroup suitably designed and complied with its system of quality control for its accounting and auditing practice.⁷ The RGroup office located in Oakland, Maryland, performed the FY 2021 single audit of nCASE.

⁴ The Research and Development Cluster consists of a variety of research and development activities performed under different types of funding agreements, such as grants, cooperative agreements, and contracts that have similar requirements.

⁵ Government Auditing Standard 5.02, "Quality Control and Assurance," July 2018 (Updated April 2021).

⁶ Government Auditing Standard 5.60, "External Peer Review," July 2018 (Updated April 2021).

⁷ Young, Oakes, Brown & Company, P.C., "Report on the Firm's System of Quality Control," November 9, 2020.

Review Results

The RGroup auditors did not comply with GAGAS and Uniform Guidance requirements when performing the FY 2021 single audit of nCASE. The RGroup auditors did not:

- obtain sufficient, appropriate evidence to support their conclusions that the Procurement and Suspension and Debarment (Procurement) and Special Tests and Provisions (Special Tests) compliance requirements were not direct and material to the major program;
- perform adequate audit procedures or obtain sufficient audit evidence to support their conclusion that nCASE complied with the Cash Management compliance requirement;
- select an appropriate sample to test nCASE internal controls and compliance with the Subrecipient Monitoring compliance requirement; and
- prepare working papers that provided a clear description of the procedures they performed and the evidence they obtained for the Activities Allowed or Unallowed, Allowable Costs/Cost Principles (collectively referred to as Allowable Costs), and Period of Performance compliance requirements.⁸

We used the Council of the Inspectors General on Integrity and Efficiency (CIGIE) 2021 edition of the “Guide for Quality Control Reviews of Single Audit Reports” (CIGIE Guide) to perform our review. The CIGIE Guide identifies audit procedures that auditors must perform and document during their single audit to meet GAGAS and Uniform Guidance requirements. We reviewed RGroup’s audit documentation, analyzed the nature and extent of RGroup’s audit procedures, and verified whether RGroup obtained sufficient evidence to support its conclusions and audit report opinion. Specifically, we verified whether RGroup complied with the requirements for each of the following aspects of the FY 2021 audit of nCASE.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit follow-up
- Determination of direct and material requirements
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

⁸ Working papers refers to the audit documentation that includes the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.

Finding

The RGroup Auditors Did Not Perform Sufficient Audit Procedures for the FY 2021 nCASE Single Audit

The RGroup auditors did not perform sufficient audit procedures for the FY 2021 single audit of nCASE. Specifically, the RGroup auditors did not:

- obtain sufficient, appropriate evidence to support their conclusions that the Procurement and Special Tests compliance requirements were not direct and material to the major program;
- perform adequate audit procedures or obtain sufficient audit evidence to support their conclusion that nCASE complied with the Cash Management compliance requirement;
- select an appropriate sample to test nCASE internal controls and compliance with the Subrecipient Monitoring compliance requirement; and
- prepare working papers that provided a clear description of the procedures they performed and the evidence they obtained for the Allowable Costs and Period of Performance compliance requirements.

As a result, Federal agencies cannot rely on the FY 2021 single audit to administer and monitor Federal awards because the audit documentation did not provide sufficient, appropriate evidence to support the audit conclusions and the reported audit opinion on nCASE compliance with Federal requirements.

The RGroup Auditors Did Not Obtain Sufficient, Appropriate Evidence to Support Their Conclusions That Two Compliance Requirements Were Not Direct and Material

The RGroup auditors did not obtain sufficient, appropriate evidence to support their conclusions that the Procurement and Special Tests compliance requirements were not direct and material to the major program. Auditing standards require the auditor to design and perform audit procedures that are appropriate for obtaining sufficient, appropriate audit evidence to be able to draw reasonable conclusions.⁹ The Uniform Guidance states that auditors must determine whether auditees complied with laws, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on

⁹ AU-C sec. 500A, "Audit Evidence," paragraph .06, "Sufficient Appropriate Audit Evidence."

each of its major programs.¹⁰ Auditors are also required to use the Compliance Supplement when performing a single audit in accordance with the Uniform Guidance requirements.¹¹ The Compliance Supplement requires auditors to exercise professional judgment when determining which of the compliance requirements are direct and material to each major program.¹² See Appendix B for additional details on the Compliance Supplement.

The RGroup Auditors Did Not Obtain Sufficient, Appropriate Evidence to Support That the Procurement Compliance Requirement Was Not Direct and Material

The RGroup auditors did not obtain sufficient, appropriate evidence to support their conclusion that the Procurement compliance requirement was not direct and material. The Uniform Guidance identifies the procurement standards that non-Federal entities are required to follow.¹³ The Compliance Supplement states that the audit objective for the Procurement compliance requirement is to determine whether procurements under Federal awards were made in compliance with applicable Federal regulations and other procurement requirements specific to an award or subaward.¹⁴

The RGroup auditors documented that the Procurement compliance requirement was not direct and material because their review of nCASE's FY 2021 expense detail report did not identify any transactions subject to procurement standards. However, the auditors did not include the nCASE FY 2021 expense detail report in their working papers or otherwise document their analysis of expenditures to support their conclusion.

We reviewed nCASE's FY 2021 trial balance, included in RGroup's audit file, and identified a supply account with a year-end balance of \$1.78 million. We asked the RGroup auditors for details of the transactions that made up the supply account balance to determine whether the transactions were subject to procurement requirements. The RGroup auditors did not provide us with specific details regarding the supply account transactions but stated that they reviewed disbursements for the major program and noted that all disbursements were below the planning materiality threshold.¹⁵ However, the RGroup auditors

¹⁰ 2 CFR sec. 200.514(d).

¹¹ 2 CFR part 200, Appendix XI, "Compliance Supplement." The Office of Management and Budget issues the Compliance Supplement annually and provides guidance to assist auditors in determining compliance requirements relevant to the audit, audit objectives, and suggested audit procedures.

¹² 2 CFR part 200, Appendix XI, "Compliance Supplement," part 2, "Matrix of Compliance Requirements."

¹³ 2 CFR sec. 200.317 through 200.327.

¹⁴ The audit objective is identified in 2 CFR part 200, Appendix XI, "Compliance Supplement," part 3, sec. I.

¹⁵ Planning materiality is the threshold above which missing or incorrect information is considered to have an impact on the decision making of users. The planning materiality the RGroup auditors used for the nCASE FY 2021 single audit was \$323,000.

did not document their review of the disbursements in their working papers. The RGroup auditors further explained that they thought they included a copy of the expense detail report in the working papers. Based on the lack of audit documentation, it was not clear whether nCASE made procurements under Federal awards in FY 2021 that would require it to comply with Federal regulations and other procurement requirements. As a result, the RGroup auditors did not obtain sufficient, appropriate evidence to support their conclusion that the Procurement compliance requirement was not direct and material to the major program. The RGroup auditors should perform and document additional audit procedures to evaluate whether the Procurement compliance requirement is direct and material to the FY 2021 single audit and perform any additional audit procedures necessary if they determine the requirement is direct and material.

The RGroup Auditors Did Not Obtain Sufficient, Appropriate Evidence to Support That the Special Tests Compliance Requirement Was Not Direct and Material

The RGroup auditors did not obtain sufficient, appropriate evidence to support their conclusion that the Special Tests compliance requirement was not direct and material. The specific requirements for the Special Tests compliance requirement are unique to each Federal award. For the Research and Development Cluster, the Compliance Supplement identifies key personnel as a special term and condition. The Compliance Supplement states that the audit objective for the key personnel requirement is to determine whether the non-Federal entity adhered to key personnel commitments specified in the application, proposal, or award and obtained any required Federal awarding agency approval for personnel changes.¹⁶

The RGroup auditors documented that they identified key personnel terms and conditions in grant documents. However, the auditors concluded that the Special Tests compliance requirement was not direct and material to the major program because:

the employees of nCASE are paid from the indirect allocation. nCASE is a pass-through entity to run training and programs through other entities. The key personnel listed on the approved budgets for the grants under the major program do not have hands on the projects themselves.

We reviewed the two Federal grants awarded to nCASE that were active during FY 2021 and determined that both grants contained key personnel requirements. We also determined that all Federal expenditures included in the FY 2021 schedule of expenditures of Federal awards, which totaled \$6.3 million, occurred on grants

¹⁶ The audit objective is identified in 2 CFR part 200, Appendix XI, "Compliance Supplement," part 5.

that contained key personnel requirements. Specifically, the grant documents identified nCASE's executive director and director of training as the two principal investigators for the grants. The documents included specific clauses requiring nCASE to obtain prior approval from the Government for any changes of key personnel and when the principal investigators were absent for more than 3 months or had a 25 percent reduction in time on the grants.

We requested that the RGroup auditors further explain why they did not consider key personnel direct and material to the major program. The auditors responded as follows:

In our professional judgement, and largely due to the fact that nCASE has a small but consistent knowledgeable key personnel staffing, we deemed the requirement to not be material to the overall compliance attributes of the grant.

Although the key personnel staffing of nCASE may be small, consistent, and knowledgeable, these traits do not support the RGroup auditors' determination that the key personnel requirement was not direct and material. The grants require key personnel to be closely involved with executing the program plan, and the RGroup auditor's assessment does not provide reasonable assurance that nCASE complied with this term and condition. As a result, the RGroup auditors did not provide sufficient, appropriate evidence to conclude that the Special Tests compliance requirement was not direct and material to the major program. The RGroup auditors should perform and document additional audit procedures to evaluate whether the Special Tests compliance requirement is direct and material to the FY 2021 single audit and perform any additional audit procedures necessary if they determine the requirement is direct and material.

The RGroup Auditors Did Not Perform Adequate Audit Procedures for the Cash Management Compliance Requirement

The RGroup auditors did not perform adequate procedures or obtain sufficient audit evidence to support their conclusion that nCASE complied with the Cash Management compliance requirement. The RGroup auditors determined that the Cash Management compliance requirement was direct and material to the major program because nCASE received cash advances from the Government.¹⁷

¹⁷ The audit objective is identified in 2 CFR part 200, Appendix XI, "Compliance Supplement," part 3, sec. C.

The auditing standards and Uniform Guidance include the following requirements for performing compliance testing and other procedures and for documenting evidence of those procedures to support the audit conclusions.

- The auditor must design and perform audit procedures, including tests of details to obtain sufficient, appropriate audit evidence about the entity's compliance with each of the applicable compliance requirements.¹⁸
- The audit documentation must be sufficient to enable an experienced auditor with no previous connection to the audit to understand the audit procedures performed, the results of the audit procedures performed, the evidence obtained, and the conclusions reached.¹⁹
- The auditors must perform testing of internal controls and determine whether the auditee complied with Federal laws and regulations and the terms and conditions of Federal awards that may have a direct and material effect on the major program.²⁰

The Compliance Supplement states that the audit objective for the Cash Management compliance requirement is to determine whether payment methods minimized the time elapsing between transfer of funds from the U.S. Treasury and the disbursement of those funds by the non-Federal entity. The audit objective also includes determining whether the non-Federal entity remitted interest earned on cash advances in accordance with the Uniform Guidance.²¹

The RGroup's Working Papers Do Not Include Sufficient Evidence to Support the Effectiveness of the Internal Controls over Cash Management

The RGroup's working papers do not include sufficient, appropriate evidence to support RGroup's conclusion that the nCASE internal controls over cash management were operating effectively. The RGroup's working papers identify five key internal controls over cash management and describe the procedures the auditors performed to test the internal controls. However, the working papers do not include evidence to support how the key internal controls that the auditors identified and the testing that they performed accomplished the audit objective for the Cash Management compliance requirement.

¹⁸ AU-C sec. 935, "Compliance Audits," paragraph .19.

¹⁹ AU-C sec. 230, "Audit Documentation," paragraph .08.

²⁰ 2 CFR sec. 200.514.

²¹ 2 CFR sec. 200.305(b)(8).

For example, the RGroup auditors documented that two of the five key internal controls over cash management were operating effectively based on their analysis of nCASE Federal Financial Reports. The RGroup auditors documented that the analysis was included in their testing of the Reporting compliance requirement.²² However, the RGroup auditors did not test the Reporting compliance requirement in FY 2021 because the requirement was not subject to audit in accordance with the Compliance Supplement.²³ The RGroup auditors also did not include evidence in the working papers that they reviewed the nCASE Federal Financial Reports. The auditors explained to us that they reviewed the nCASE Federal Financial Reports in previous single audits and mistakenly carried forward the description of procedures performed in prior audits to the FY 2021 single audit working papers. Therefore, the working papers do not include evidence that the RGroup auditors tested the two key controls or how the testing they performed accomplished the audit objective for the Cash Management compliance requirement.

In another example, the auditors documented that they planned to test the key internal control described as “appropriate assignment of responsibility for cash, drawdowns, requests for reimbursements, and payments to subrecipients.” However, the working papers do not clearly identify the work the RGroup auditors performed to test this key internal control. The RGroup auditors told us that the procedures they performed included making management inquiries, observing that all funds were sent electronically to the general account, and observing that the nCASE grant managers worked closely with DoD personnel. However, the auditors could not adequately explain to us how these procedures accomplished the audit objective for the Cash Management compliance requirement. In addition, the auditors did not comply with auditing standards that state that the auditor should perform other procedures in combination with inquiry to obtain audit evidence about the operating effectiveness of controls.²⁴ Other audit procedures can include evaluating how the controls were applied at relevant times during the period under audit and the consistency with which they were applied. Further, the auditing standards state that inquiry combined with inspection, recalculation, or reperformance may provide more assurance than inquiry and observation because an observation is pertinent only at the point in time at which it is made.²⁵

²² Recipients use SF-425, “Federal Financial Report,” to report expenditures under Federal awards and, when applicable, the cash status.

²³ 2 CFR part 200, Appendix XI, “Compliance Supplement,” part 5, identifies the Reporting compliance requirement as not subject to audit, and auditors were not expected to test the requirement.

²⁴ AU-C sec. 330, “Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained,” paragraph .10.a, “Nature and Extent of Tests of Controls.”

²⁵ AU-C sec. 330, “Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained,” paragraph .A28, “Other Audit Procedures in Combination with Inquiry.”

Therefore, the working papers do not provide sufficient, appropriate evidence to support the audit conclusion that the internal controls over cash management were operating effectively. The RGroup auditors should perform and document audit procedures to test nCASE's internal controls over the Cash Management compliance requirement.

The RGroup's Working Papers Do Not Include Evidence to Support That nCASE Complied with the Cash Management Compliance Requirement

The RGroup's working papers do not include evidence to support that nCASE complied with the Cash Management compliance requirement, as auditing standards and Uniform Guidance require.²⁶ The RGroup auditors documented that they performed the required compliance testing by reviewing the cash advances nCASE received, interest earned on the advances, and the disbursements of funds. However, the auditors did not document sufficient details of the compliance testing in their working papers.

For example, the RGroup auditors documented in the working papers that they reviewed advance payments and verified that nCASE minimized the elapsed time between the transfer of funds from the Government and the disbursement of those funds, but they did not include any details on the actual advance payments they selected and tested. The RGroup auditors also documented that they noted the timing of the receipt and spending of the funds and that nCASE returned unspent funds to the Government. However, the working papers do not identify the dates nCASE received and spent the Federal funds or the amount and dates that nCASE returned unspent funds to the Government.

The RGroup auditors acknowledged that the testing of cash management was not well documented in their working papers. Without documentation that substantiates the audit procedures performed by the auditors, sufficient, appropriate evidence does not exist to support the RGroup auditors' conclusion that nCASE complied with the Cash Management compliance requirement. The RGroup auditors should perform and document audit procedures to test nCASE's compliance with the Cash Management compliance requirement.

²⁶ AU-C sec. 230, "Audit Documentation," paragraphs .08 and .09, "Documentation of the Audit Procedures Performed and Audit Evidence Obtained," and 2 CFR sec. 200.514(d).

The RGroup Auditors Did Not Select an Appropriate Sample to Test nCASE Internal Controls and Compliance with the Monitoring of Subrecipients

The RGroup auditors did not select an appropriate sample to test nCASE's internal controls and compliance with the monitoring of subrecipients. Auditing standards refer auditors to chapter 11 of the American Institute of Certified Public Accountants (AICPA) Audit Guide (the Audit Guide) for guidance in designing an audit approach that includes audit sampling to achieve audit objectives related to a single audit.²⁷ The Audit Guide directs the auditors to define the population in a manner consistent with the audit objective and the internal control and compliance attributes being tested.²⁸ The Audit Guide states that the sampling population should include items that constitute the transactions of interest for the audit objective and may only be a subset of the transaction population subject to a particular control or compliance requirement.²⁹ If an initial sample does not include an attribute being tested, it may be an indication that the sampling population was not defined properly.³⁰ In addition, the Audit Guide provides suggested minimum sample sizes designed to provide sufficient, appropriate audit evidence that controls are operating effectively. For populations with 250 items or greater, the Audit Guide states that minimum sample sizes can vary between 25 and 60, based on the auditor's assessment of the inherent risk and the significance of the controls. For populations between 52 and 250 items, the Audit Guide identifies that a rule of thumb is to select a sample size of approximately 10 percent of the population.

The RGroup auditors documented that they selected 25 sample items from the population of all FY 2021 direct and indirect program expenses to test the internal controls and compliance with the Allowable Costs, Period of Performance, and Subrecipient Monitoring compliance requirements. The population of all program expenses was greater than 250 transactions. However, only 4 of the 25 sampled items related to the audit objective for the Subrecipient Monitoring compliance requirement.³¹

²⁷ AU-C sec. 530 "Audit Sampling," paragraph .A2, "Considerations Specific to Governmental Entities."

²⁸ AICPA, "Audit Guide: Government Auditing Standards and Single Audits," chapter 11, "Audit Sampling Considerations of Uniform Guidance Compliance Audits," paragraph 11.33, April 1, 2021.

²⁹ AICPA, "Audit Guide: Government Auditing Standards and Single Audits," chapter 11, "Audit Sampling Considerations of Uniform Guidance Compliance Audits," paragraph 11.34, April 1, 2021.

³⁰ AICPA, "Audit Guide: Government Auditing Standards and Single Audits," chapter 11, "Audit Sampling Considerations of Uniform Guidance Compliance Audits," paragraph 11.38, April 1, 2021.

³¹ 2 CFR part 200, Appendix XI, "Compliance Supplement," part 3, sec. M, states that the Subrecipient Monitoring audit objective is to determine whether the pass-through entity monitored subrecipient activities to provide reasonable assurance that the subrecipient administered the subaward in compliance with the terms and conditions of the award.

In a separate working paper, we noted that the RGroup auditors identified a subset of 64 transactions among the total population of FY 2021 program expenses that involved subrecipients. However, the RGroup auditors did not use this population to select the sample to test the internal controls and compliance with the monitoring of subrecipients. The RGroup auditors also did not document how a sample size of only four relevant transactions provided sufficient evidence to support their conclusion on nCASE's internal control and compliance with the monitoring of subrecipients. The RGroup auditors acknowledged that they should have selected a sample from the subrecipient population. As a result, the RGroup auditors did not obtain sufficient, appropriate evidence that the internal controls were operating effectively and that nCASE complied with the Subrecipient Monitoring compliance requirement. The RGroup auditors should select additional subrecipient transactions to align with the AICPA sample size guidelines, perform audit procedures on the selected transactions, and document the procedures to provide sufficient, appropriate evidence on the internal controls and compliance with the Subrecipient Monitoring compliance requirement.

The RGroup Auditors Did Not Provide a Clear Description of the Audit Procedures They Performed and the Evidence They Obtained for the Allowable Costs and Period of Performance Compliance Requirements

The RGroup auditors did not prepare working papers that provide a clear description of the procedures they performed and the evidence they obtained in reviewing the Allowable Costs and Period of Performance compliance requirements. Auditing standards require the auditor to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient, appropriate audit evidence to draw reasonable conclusions.³² In addition, auditing standards require the auditor to record the matters tested and prepare audit documentation that enables an experienced auditor to understand the results of the audit procedures they performed and evidence they obtained.³³

³² AU-C sec. 500A, "Audit Evidence," paragraph .06, "Sufficient Appropriate Audit Evidence."

³³ AU-C sec. 230, "Audit Documentation," paragraphs .08 and .09, "Documentation of the Audit Procedures Performed and Audit Evidence Obtained."

The RGroup auditors documented their understanding of nCASE's internal controls over the Allowable Costs and Period of Performance compliance requirements. In addition, the auditors prepared a spreadsheet that identified the expenditures they selected to test the internal controls and compliance with the Allowable Costs and Period of Performance compliance requirements. However, the auditor's documentation of their testing was not sufficient to allow us to understand the work they performed that supported their audit conclusions.

For example, the auditors described one of the internal control tests by stating, "Documentation supporting transaction demonstrates an organization-wide cognizance of need for separate identification of allowable federal costs." However, the spreadsheet does not provide sufficient information to allow an experienced auditor to understand the procedure they performed and the evidence they obtained to conclude that the internal control was operating effectively.

In another example, the RGroup auditors documented that they reviewed nCASE's supporting documents for the sampled expenditures to verify that the expenditures were allowable. However, the working papers do not provide an explanation of the types of records the auditors gathered and analyzed during their testing.

We requested additional explanations from the RGroup auditors to understand the audit procedures they performed and evidence they obtained. The RGroup auditors explained that the supporting documents they analyzed for the Allowable Costs and Period of Performance compliance requirements depended on the nature of each transaction tested. The RGroup auditors stated that the supporting documents they reviewed could have included a copy of the check, the vendor's invoice, or the purchase request. However, the working papers should have identified and described the records the auditors obtained and analyzed for each tested transaction.

As a result, the working papers for the Allowable Costs and Period of Performance compliance requirements do not contain a clear description of the procedures the auditors performed and the evidence they obtained to support the audit conclusions. The RGroup auditors should revise the FY 2021 single audit working papers to provide a clear description of the audit procedures they performed and the evidence they obtained that supports their conclusions on the Allowable Costs and Period of Performance compliance requirements.

Federal Agencies Cannot Rely On the nCASE Single Audit Report Because the Audit Work Did Not Support the Reported Audit Opinion

Federal agencies cannot rely on the FY 2021 nCASE single audit to administer and monitor Federal awards because the RGroup audit documentation does not provide sufficient, appropriate evidence to support audit conclusions and the reported audit opinion on nCASE compliance with Federal requirements. As a result, the RGroup auditors need to perform additional audit procedures and prepare working papers that adequately describe the additional procedures they performed and the evidence they obtained. The RGroup auditors need to update the FY 2021 single audit report for the results of the additional audit procedures they perform in response to our recommendations.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that The Rodeheaver Group, P.C. Audit Principal direct the auditors to:

- a. Perform and document additional audit procedures to evaluate whether the Procurement and Suspension and Debarment compliance requirement and Special Tests and Provisions compliance requirement are direct and material to the FY 2021 single audit and perform any additional audit procedures necessary for those compliance requirements that The Rodeheaver Group, P.C. determines to be direct and material.**
- b. Perform and document audit procedures to test the National Center for the Advancement of STEM Education Inc.'s internal control and compliance with the Cash Management compliance requirement.**
- c. Select additional subrecipient transactions to align with the American Institute of Certified Public Accountants sample size guidelines, perform audit procedures on the selected transactions, and document the procedures to provide sufficient, appropriate evidence on the internal controls and compliance with the Subrecipient Monitoring compliance requirement.**
- d. Revise the FY 2021 single audit working papers to provide a clear description of the audit procedures the auditors performed and the evidence they obtained that supports their conclusions on the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.**

- e. **Update the FY 2021 single audit report of the National Center for the Advancement of STEM Education, Inc. for the results of the additional audit procedures the auditors perform in response to Recommendations 1.a, 1.b, 1.c, and 1.d.**

The Rodeheaver Group, P.C. Audit Principal Comments

The RGroup Audit Principal agreed with our recommendations and stated that RGroup auditors will:

- perform and document additional procedures on the Procurement and Special Tests compliance requirements;
- perform and document additional audit procedures to test nCASE's internal control and compliance over the Cash Management compliance requirement;
- select additional subrecipient transactions and perform procedures to provide sufficient audit evidence on internal controls and compliance with Subrecipient Monitoring;
- revise the audit working papers to better identify the procedures they performed and the evidence they examined that support the conclusions for the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements; and
- update the FY 2021 single audit report of nCASE for the results of any additional audit procedures performed.

The RGroup Audit Principal stated that the RGroup auditors will complete all actions by February 29, 2024.

Our Response

Comments from the RGroup Audit Principal addressed the specifics of the recommendations; therefore, the recommendations are resolved but remain open. We will close the recommendations after we verify that RGroup has implemented corrective actions that fully address the recommendations.

Appendix A

Scope and Methodology

We conducted this quality control review from January 2023 through October 2023 in accordance with the CIGIE “Quality Standards for Inspection and Evaluation,” published in December 2020. Those standards require that we adequately plan and perform the quality control review to ensure that objectives are met and that we perform the review to obtain sufficient, competent, and relevant evidence to support the findings, conclusions, and recommendations. We believe that the evidence we obtained is sufficient, competent, and relevant to lead a reasonable person to sustain the conclusions.

The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. The Federal Audit Clearinghouse received the nCASE FY 2021 single audit report on September 30, 2022. The single audit report identified the Research and Development Cluster as the one major Federal program at nCASE. We reviewed RGroup’s FY 2021 single audit of nCASE using the CIGIE Guide. We focused our review on the following aspects of the single audit.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit follow-up
- Determination of direct and material requirements
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

We conducted interviews with the RGroup auditors assigned to RGroup’s Oakland, Maryland, office who performed the FY 2021 single audit of nCASE. We reviewed RGroup’s audit files for the FY 2021 single audit to assess whether the RGroup auditors conducted the single audit in accordance with GAGAS and Uniform Guidance requirements. GAGAS incorporates the AICPA “Codification of Statements on Auditing Standards,” by reference. Uniform Guidance requirements for single audits are identified in 2 CFR part 200.

Our review included:

- evaluating evidence of RGroup’s independence, auditor qualifications, and latest external peer review;
- reviewing all audit documentation that the RGroup auditors prepared to support the audit opinions on whether nCASE’s financial statements and its schedule of expenditures of Federal awards were fairly presented in all material respects;
- verifying that the RGroup auditors supported their determination for the compliance requirements they identified as direct and material to the major program; and
- reviewing all audit documentation that the RGroup auditors prepared to support the audit opinion on whether nCASE complied with the compliance requirements that could have a direct and material effect on the major program.

Our review of RGroup’s audit documentation on direct and material compliance requirements included analyzing audit procedures the RGroup auditors performed to: (1) understand nCASE’s internal controls, (2) select samples for testing, and (3) test the internal controls and compliance with Federal requirements.

We held discussions with the RGroup auditors to understand and verify the audit work they performed as part of the FY 2021 single audit of nCASE. Appendix B lists the compliance requirements that RGroup identified as direct and material to nCASE’s major programs for the fiscal year that ended December 31, 2021.

Use of Computer-Processed Data

We did not use computer-processed data to perform this quality control review.

Prior Coverage

The DoD OIG has not conducted a quality control review involving RGroup or nCASE during the last 5 years.

Appendix B

Compliance Requirements

The Office of Management and Budget issues the Compliance Supplement, which provides guidance to assist auditors in determining the compliance requirements applicable to the single audit.³⁴ The Compliance Supplement summarizes Federal requirements into 12 compliance requirements. For the Research and Development Cluster, the Compliance Supplement states that all compliance requirements are applicable except for the Eligibility; Matching, Level of Effort, and Earmarking; Program Income; and Reporting compliance requirements. Auditors who perform a single audit are required to test those compliance requirements that are direct and material to the major program. The following table identifies the compliance requirements that the RGroup auditors determined were direct and material to the major program.

Table. Uniform Guidance Compliance Requirements That the RGroup Auditors Identified as Direct and Material to the Research and Development Cluster

Uniform Guidance Compliance Requirements	Direct and Material
Activities Allowed or Unallowed	X
Allowable Costs/Cost Principles	X
Cash Management	X
Eligibility	
Equipment and Real Property Management	
Matching, Level of Effort, Earmarking	
Period of Performance	X
Procurement, Suspension, and Debarment	
Program Income	
Reporting	
Subrecipient Monitoring	X
Special Tests and Provisions	

Source: The DoD Office of Inspector General, based on the RGroup's audit documentation.

³⁴ 2 CFR part 200, Appendix XI, "Compliance Supplement."

Management Comments

The Rodeheaver Group, P.C.

THE RODEHEAVER GROUP P.C.
CERTIFIED PUBLIC ACCOUNTANTS



SUBJECT: Review of Recommendations

RGroup management have reviewed the Quality Control Review of the 2021 Single Audit of the National Center for the Advancement of STEM Education, Inc. and are providing the following responses related to the specific recommendations contained in the report:

1.a. We agree with this recommendation. RGroup will perform additional procedures related to Procurement and Special Tests to support initial conclusions. If deemed direct and material, RGroup will perform the necessary audit procedures related to the compliance requirement(s). We expect to complete these additional procedures by February 29, 2024.

1.b. We agree with this recommendation. RGroup will perform additional audit procedures to test nCASE's internal control and compliance over the Cash Management compliance requirement. We expect to complete these additional procedures by February 29, 2024.

1.c. We agree with this recommendation. RGroup will select additional subrecipient transactions and perform procedures to provide sufficient audit evidence on internal controls and compliance with Subrecipient Monitoring. We expect to complete these additional procedures by February 29, 2024.

1.d. We agree with this recommendation. RGroup will revise audit documentation to better identify procedures performed and the evidence examined in the audit sample for Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Performance. We expect to complete these additional procedures by February 29, 2024.

1.e. We agree with this recommendation. RGroup will update the FY 2021 single audit report of nCASE for the results of any additional audit procedures performed. We expect to complete this process by February 29, 2024.

Very truly yours,

The Rodeheaver Group, P.C.

THE RODEHEAVER GROUP, P.C.

Acronyms and Abbreviations

- AICPA** American Institute of Certified Public Accountants
- AU-C** Codification of Statements on Auditing Standards
- CFR** Code of Federal Regulations
- CIGIE** Council of the Inspectors General on Integrity and Efficiency
- GAGAS** generally accepted government auditing standards
- nCASE** National Center for the Advancement of STEM Education, Inc.
- STEM** Science, Technology, Engineering, and Mathematics

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For more information about DoD OIG reports or activities, please contact us:

Congressional Liaison

703.604.8324

Media Contact

public.affairs@dodig.mil; 703.604.8324

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4800 Mark Center Drive
Alexandria, Virginia 22350-1500
www.dodig.mil
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