

# STATE OF ILLINOIS

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## GRANT ACCOUNTABILITY AND TRANSPARENCY ACT



### AUDIT REPORT REVIEW PROCESS OVERVIEW MANUAL

March 2024

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## Audit Report Review Process Overview Manual Introduction

The Audit Report Review Process Overview Manual provides information for the Grant Accountability and Transparency Act (GATA) centralized review of State of Illinois grantee audit reports. This manual provides a general overview of the audit report review process, which covers the key terms, the audit requirements that each grantee must follow, and the roles and responsibilities of each stakeholder.

For further details and instructions on the actions taken by the grantee in the audit report review process, including the steps completed in the Grantee Portal, please refer to the Audit Report Review Process Grantee Instruction Manual. For further detail and instructions on the steps completed by the state awarding agency and state cognizant agency, in the Audit Report Review Management System (ARRMS), please refer to the Audit Report Review Process Agency Instruction Manual.

The purpose of the GATA centralizing the audit report review process includes:

- 1) Removing the duplication of effort by each of the awarding agencies and their respective grantees that receive grants from multiple agencies;
- 2) Using State agency collaboration in the acceptance of the corrective action plan for audit findings;
- 3) Reducing grantee rewrites of corrective action plans when multiple agencies must provide acceptance of the plans;
- 4) Ensuring that the audits are conducted in accordance with their respective auditing standards, allowing awarding agencies to place greater reliance on the audit results as part of the overall monitoring requirements;
- 5) Providing technical assistance to stakeholders on audit requirements, the interpretation of audit results, and proper corrective action to avoid repeat audit findings; and
- 6) Taking proper action when it is determined that a substandard audit has been conducted.

In adopting the GATA guiding principles, the centralized audit report review process is continuously reviewed to identify any necessary changes and improvements to ensure the goals and objectives continue to be met.

## Key Terms in the Audit Report Review Process

These are the definitions for terms used in the Audit Report Review Process Overview Manual, Grantee Instruction Manual, and Agency Instruction Manual:

“Audit Committee” is responsible for determining the next steps for audits identified by the Contractor as having deficiencies and determining if the deficiencies warrant a workpaper quality control review. In addition, the Audit Committee is responsible for providing technical assistance to the Cooperative Audit Resolution Team (CART) and the GATU, as necessary, and to determine the appropriate action necessary based on the results of a workpaper quality control review.

“Audit Finding” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Audit Report Review Management System” or “ARRMS” means the State agency internal audit report review system, which works in conjunction with the Grantee Portal.

“Auditee” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Auditor” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Auditor General” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Auditor's Report” means a written letter concerning an auditee’s financial statements that expresses its opinion on the auditee’s compliance with standard accounting practices.

“Award” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Awardee” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Catalog of State Financial Assistance” or “CSFA” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Consolidated Year-End Financial Report” or “CYEFR” means a required report prepared by the grantee each year, that lists the expenditures for each State and federal pass-through grant during the period covered by the organization’s financial statements. The report will also list all other federal expenditures by the source of funding as direct federal or pass-through from other sources. The CYEFR is used to assist in the facilitation of tracing grant expenditures reported in a grantee’s audited financial statements, reconcile grantee’s reported expenditures to state agency records and make reconciliations from periodic reporting and year end reporting. All grantees are required to complete and submit a CYEFR through the Grantee Portal.

“Cooperative Audit Resolution” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Cooperative Audit Resolution Team” or “CART” means a multi-disciplinary team of stakeholders consisting of the grantee organization, state awarding agencies and the GATU. The CART will address disagreements on the acceptance of a grantee’s Corrective Action Plan, as well as disagreements on the grantee’s Management Decision Letter.

“Corrective Action” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Corrective Action Plan” or “CAP” means a corrective action plan, which is prepared at the completion of the audit by an auditee, addresses each audit finding included in the current year auditor's reports. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.

“Disallowed Costs” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Expenditures” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Federal Employer Identification Number” or “FEIN” means a nine-digit unique number assigned by the Internal Revenue Service (IRS) to businesses operating in the United States.

“Financial Statement” means the formal record of the financial activities and position of a non-federal entity that is presented in a structured manner and in a form easy to understand.

“GATU” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Generally Accepted Auditing Standards” or “GAAS” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Generally Accepted Government Auditing Standards” or “GAGAS” has the same meaning as in 44 Ill. Admin. Code 7000.30.a

“Grantee” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Grantee Portal” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Grantee Compliance Enforcement System (GCES)” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“In Relation to Opinion” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Matching” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Non-Federal Entity” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Pass-Through Entity (PTE)” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Peer Review” means a peer review is used to determine if an audit organization’s quality control system is suitably designed, in place, and operating effectively according to generally accepted government auditing standards.

“Single Audit Act” means the federal Single Audit Act Amendments of 1996.

“Schedule of Expenditures of Federal Awards” or “SEFA” means a required schedule prepared by a non-federal entity each year, that lists the expenditures for each federal grant during the period covered by the organization’s financial statements.

“State Agency” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“State Awarding Agency” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“State Cognizant Agency” or “SCA” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“State-Issued Award” has the same meaning as 44 Ill. Admin. Code 7000.30.

“State Program” has the same meaning as in 44 Ill. Admin. Code 7000.30.

“Stub audit” means audited financial statements with a reporting period of less than 12 months.

“Summary Schedule of Prior Audit Findings” means reports the status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to State and Federal awards.

“Unique Entity Identifier” or “UEI” has the same meaning as in 44 Ill. Admin. Code 7000.30.

## GATA Audit Requirements

Grantees are subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 USC 7501-7507), Subpart F of 2 CFR Part 200, and the audit rules and policies set forth by the Governor's Office of Management and Budget. 30 ILCS 708/65(c); 44 Ill. Admin. Code 7000.90.

- a) Awardees, excluding for-profits, that expend at least the threshold amount as set out in 2 CFR 200.501(a) during the non-federal entity's fiscal year in federal awards (federal pass-through and direct federal funds) must have a single audit conducted in accordance with UR section 200.514. Awardees meeting certain requirements may elect to have a program-specific audit conducted in accordance with UR section 200.507.
- b) Awardees that expend less than the threshold amount as set out in 2 CFR 200.501(a) during the non-federal entity's fiscal year in federal awards (federal pass-through and direct federal funds) from all sources are exempt from federal audit requirements for that year. These non-federal entities are not subject to the single audit requirements.
- c) Awardees that expend less than the threshold amount as set out in 2 CFR 200.501(a) in direct federal and federal pass-through funds from all sources are subject to the following audit requirements:
  - i) Awardees that expend at least the threshold amount as set out in 44 Ill. Admin. Code 7000.90(c)(1) in State-issued awards, singularly or in any combination and are not subject to the single audit:
    - (1) Must have a financial statement audit conducted in accordance with GAGAS; and
    - (2) If deemed to be high risk based on the grantee's overall risk profile (obtained from the Financial and Administrative Risk Assessment, the Merit Review, or the Programmatic Risk Assessment mandated by UR section 200.332):
      - (a) Must have an audit conducted in accordance with GAGAS; and
      - (b) Are required to undergo either an on-site review conducted by the State Cognizant Agency or an agreed-upon procedures engagement, paid for and arranged by the pass-through entity or pass-through entities in accordance with UR section 200.425.
  - ii) Awardees that do not meet the requirements in subsection (c)(i) but expend at least the threshold amount as set out in 44 Ill. Admin. Code 7000.90(c)(2) in State-issued awards, singularly or in any combination, from a State awarding agency, during the awardee's fiscal year must have a financial statement audit conducted in accordance with GAAS.



- iii) If the grantee is a Local Education Agency (as defined in 34 CFR 77.1), it must have a financial statement audit conducted in accordance with GAGAS, as required by 23 Ill. Admin. Code 100.110, regardless of the dollar amount of expenditures of federal pass-through and State-Issued Awards from a State awarding agency.
  - iv) If the grantee does not meet the requirements in subsections (a) and (c)(i) through (c)(iii) but is required to have a financial statement audit conducted based on other regulatory requirements, it must submit those audits for review.
- d) For-profit Awardees. The pass-through entities are responsible for ensuring awardee compliance with established requirements. Methods to ensure compliance for State-issued awards to for-profit subrecipients may include pre-award audits, monitoring during the agreement period of performance, and post-award audits. See also UR section 200.332 (Requirements for Pass-through Entities).
- i) For-profit Awardees Audit Requirements. For-profit awardees who expend at least the threshold amount as set out in 2 CFR 200.501(a) in federal pass-through funds from a State awarding agency during the awardee's fiscal year must have a program-specific audit conducted in accordance with UR section 200.507 (Program-specific Audits).
    - (1) State awarding agencies must provide the awardee the program-specific audit guide, when available.
    - (2) If a program-specific guide is not available, the auditor and auditee have the same responsibilities for the program as they would have for a major program in a single audit.
    - (3) The auditor must audit federal pass-through programs with federal pass-through Awards expended that, in the aggregate, cover at least 50 percent (0.50) of total federal pass-through Awards expended.
  - ii) For-profit awardees who expend less than the threshold amount as set out in 2 CFR 200.501(a) federal pass-through funds from a State awarding agency during the awardee's fiscal year must follow the audit requirements in subsections (c)(i) through (c)(iv).
- e) Awardees who do not meet the requirements in subsection (c) or (d) but have audits conducted based on other regulatory requirements must submit those audits for review.
- f) Publicly Traded Entities. If the grantee is a publicly traded company, the grantee is not subject to the single audit or program-specific audit requirements but must submit its annual audit conducted in accordance with its regulatory requirements.

- g) Local Government Entities. If the grantee is a local government entity and is a Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) recipient, the recipient may use an alternative approach to a single or program-specific audit under 2 CFR Part 200, Subpart F. If the CSLFRF recipient expended at least the threshold amount as set out in 2 CFR 200.501(a) during the recipient's fiscal year in federal awards and meets both criteria in (g)(i-ii), the recipient has the option to follow the alternative CSLFRF compliance examination engagement.
  - i) The recipient's total CSLFRF award received directly from Treasury or received (through states) as a Non-entitlement Unit (NEU) is at or below \$10 million; and
  - ii) Other federal award funds the recipient expended (not including their direct CSLFRF award funds) are less than the threshold amount as set out in 2 CFR 200.501(a) during the recipient's fiscal year.
- h) Single Audit and Program Specific Audit Report Submission. Single audits, including any program or regulatory audit requirements, must be completed and the reporting package must be submitted by the awardee to the Federal Audit Clearinghouse, as required by UR section 200.512 and the Grantee Portal, within the earlier of 30 calendar days after receipt of the auditor's reports or 9 months after the end of the awardee's audit period. If the due date falls on a Saturday, Sunday or State/federal holiday, the reporting package is due the next business day.
  - i) Financial Statement Audits must be completed and the reporting package must be submitted by the awardee using the Grantee Portal within the earlier of 30 calendar days after receipt of the auditor's reports or 6 months after the end of the awardee's audit period. If the due date falls on a Saturday, Sunday or State/federal holiday, the reporting package is due the next business day.
- j) Awardees that are not required to have an audit conducted must submit a Consolidated Year-end Financial Report using the Grantee Portal.

## Stakeholder Roles & Responsibilities

There are many stakeholders that play a key role in the centralized audit report review process. The following stakeholders' roles and responsibilities are described in detail below:

- 1) Grantee
- 2) State Awarding Agency
- 3) State Cognizant Agency
- 4) Grant Accountability and Transparency Unit (GATU)
- 5) Contractor
- 6) Cooperative Audit Resolution Team (CART)
- 7) Audit Committee

## Grantee Roles & Responsibilities

In the audit report review process, each grantee must:

- a) Procure or otherwise arrange for the audit in accordance with §200.509 *Auditor Selection*.
- b) Prepare appropriate financial statements including:
  - i) Entity Financial Statements;
  - ii) Schedule of Expenditures of Federal Awards (if single or program-specific audit was performed); and
  - iii) Consolidated Year-End Financial Report.
- c) Promptly follow up and take corrective action on audit findings including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with §200.511 *Audit findings follow up*.
- d) Provide auditors with access to personnel, accounts, books, records and supporting documentation, and other information as needed for the auditor to perform the audit in accordance with the applicable auditing standards.
- e) In the Grantee Portal, submit the complete audit package based on the audit type required to be completed for the grantee's audit period.
- f) Determine if a parent/child relationship should be established, in the system, for its organization and promptly notify the State cognizant agency and the GATU to make any necessary updates to the applicable audit reviews.
- g) Promptly notify the State cognizant agency and the GATU of any fiscal year-end changes for the organization.

## Auditor Selection

The grantee is responsible for selecting a qualified audit firm to conduct the audit in accordance with applicable standards. In procuring these services the grantee must follow the procurement standards in accordance with applicable sections:

- a) A grantee subject to audits conducted by the Illinois Office of the Auditor General is not subject to these procurement requirements.
- b) All other grantees including local governments will follow §200.317 through 200.327.
- c) In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the grantee must:
  - i) Request a copy of the audit organization's peer review report which the auditor is required to provide under Generally Accepted Government Auditing Standards (GAGAS).
    - (1) The copy of the audit organization's peer review report, which the auditor has provided to the grantee, is required to be included in the audit package submission.
    - (2) In addition to providing a copy of the audit organization's peer review report, the grantee is also required to provide the AICPA peer review report acceptance letter.
    - (3) The peer review report and the AICPA acceptance letter must cover the date of the auditor's opinion.

- (4) If the peer review report and the AICPA acceptance letter do not cover the date of the auditor's opinion, supporting documentation from the Peer Review Alliance, which states that the next peer review is in progress, must be provided, along with the most recent peer review report.
- ii) Factors to be considered in evaluating each proposal for audit services including:
  - (1) Responsiveness to the request for proposal;
  - (2) Relevant experience;
  - (3) Availability of staff with professional qualifications and technical abilities;
  - (4) The results of the peer review;
  - (5) Audit firm must be in compliance with the Illinois Public Accounting Act 225 ILCS 450; and
  - (6) Price.
- iii) Whenever possible the grantee must make positive efforts to utilize small businesses, minority owned firms and women's business enterprises.
- d) Restriction on auditor preparing indirect cost proposals.
  - i) An auditor who prepares the indirect cost proposal or cost allocation plan may not also be selected to perform the audit required within these rules, when the indirect costs recovered by the grantee during the prior year exceeded \$1 million.
  - ii) This restriction applies to the base year used in the preparation of the indirect cost proposal or cost allocation plan and any subsequent years in which the resulting indirect cost agreement or cost allocation plan is used to recover costs.

#### Audit Costs

The costs of audits required to be conducted are an allowable cost that can be charged to grants. Audit costs charged to the grant can be charged either as a direct cost or indirect cost. According to §200.425 *Audit services*, the allowability of the audit costs are based on the following:

- a) A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements are allowable. However, the following audit costs are unallowable:
  - i) The cost of any audit that does not meet the standards required by the Single Audit Act and Subpart F—Audit Requirements, GAGAS and GAAS are unallowable. Therefore, the cost of any audit deemed to be substandard by the Audit Report Review Contractor and upheld by the Audit Committee, will not be allowed to be charged to the grant(s); and
  - ii) Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and Subpart F—Audit Requirements because its expenditures under Federal awards (direct Federal funding and Federal pass-through funding) are less than the threshold amount as set out in §200.501(a) during the non-Federal entity's fiscal year.
- b) The costs of a financial statement audit of a non-Federal entity that currently does not have a Federal award but is not subject to the Single Audit Act and Subpart F—Audit

Requirements may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

#### Financial Statements

In accordance with §200.510 *Financial statements*, the auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets and where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 *Scope of audit*, paragraph (a) and prepare separate financial statements.

When required by 2 CFR 200 Subpart F, the auditee must also prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 *Basis for determining Federal awards expended*. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use.

#### Audit Findings Follow-Up

The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must:

- a) Prepare a summary schedule of prior audit findings in accordance with §200.511(b) *Summary schedule of prior audit findings*.
  - i) Since the summary schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred.
- b) Prepare a corrective action plan for current year audit findings in accordance with §200.511(c) *Corrective action plan*.

The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under §200.516 *Audit findings*, paragraph (c). The corrective action plan and summary schedule of prior audit findings must also include findings relating to the financial statements which are required to be reported in accordance with GAGAS.

#### Summary Schedule of Prior Audit Findings

According to §200.511(b) *Summary schedule of prior audit findings*, the summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected as follows:

- a) When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.

- b) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.
- c) When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:
  - i) Two years have passed since the audit report in which the finding occurred was submitted to the Grantee Portal;
  - ii) The State awarding agency or pass-through entity is not currently following up with the auditee on the audit finding; and
  - iii) A management decision was not issued.

#### Corrective Action Plan

In accordance with §200.511(c) *Corrective action plan*, at the completion of the audit, the grantee must prepare, in a document separate from the auditor's findings described in §200.516 *Audit findings*, a corrective action plan (CAP) to address each audit finding included in the current year auditor's report. The CAP is to be a separate plan from the "Management Response" in the schedule of findings.

The CAP must provide the following information:

- a) The name(s) of the contact person(s) responsible for corrective action,
- b) The corrective action planned,
- c) The anticipated completion date.
- d) If the grantee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

If a CAP template is needed, one has been provided to the grantee in Step 3 – CPA Information and Instructions, in the Grantee Portal.

#### Audit Package Submission in the Grantee Portal

The grantee is required to submit a complete audit package in the Grantee Portal by the deadline date for the specific audit type. For audits submitted to the FAC, the audit is due within the earlier of 30 calendar days after receipt of the auditor's report or 9 months after the end of the grantee's audit period. For financial statement audits, the audit is due within the earlier of 30 calendar days after receipt of the auditor's report or 6 months after the end of the grantee's audit period. For CYEFR Only reviews, the CYEFR is due within 6 months after the end of the grantee's audit period.

Once an audit case is created in the ARRMS, the following steps must be taken by the grantee, in the Grantee Portal:

- 1) Step 1 - Audit Certification Form
- 2) Step 2 - Consolidated Year-End Financial Report (CYEFR)
- 3) Step 3 - CPA Information and Instructions
- 4) Step 4 - Audit Package Upload
- 5) Step 5 - Certification and Submission

#### *Audit Case Creation*

Audit cases are created, in the ARRMS, based on the grantee's State-issued award information in the CSFA. If a State-issued award crosses the grantee's fiscal year, an audit case will be created for that audit period. Therefore, it is important that the CSFA reflect accurate State-issued award information for grantees.

#### *Step 1 - Audit Certification Form*

Within sixty (60) days of a grantee's audit period end date, in the Grantee Portal, the grantee is required to certify the type of audit required to be conducted for its organization, based on the total State-issued award and/or Federal (direct or pass-through from sources other than the State) expenditures during the grantee's audit period.

After the grantee has made its audit type selection, the grantee is required to provide the SAM.gov Unique Entity Identifier (UEI) that is covered by the audit report. By entering the main SAM.gov UEI, this will assist the system in detecting whether a single audit, program-specific audit or an alternative compliance examination engagement report was submitted to and accepted by the Federal Audit Clearinghouse (FAC).

Once the audit certification form is complete, the system will calculate the due dates for the remaining steps in the audit report submission process.

#### *Step 2 - Consolidated Year-End Financial Report (CYEFR)*

All grantees, whether or not they are subject to an audit for their audit period, must complete and submit a CYEFR using the Grantee Portal. The CYEFR is prepopulated with the Catalog of State Financial Assistance (CSFA) program name(s) of the State-issued award(s) that has(ve) been entered into the CSFA by the awarding agency(ies). If a CSFA program is not prepopulated in the CYEFR, the grantee is required to manually add the CSFA program to the CYEFR.

Within the CSFA program information, the grantee is required to report the total State and Federal pass-through amounts the grantee expended during the audit period, as well as any other program expenditure detail required by the awarding agency. In addition to CSFA program expenditures, the grantee is required to report the total expenditures of all other federal awards in the "All other federal expenditures" section. The source of the federal award expenditures will either be direct or pass-through from sources other than the State and should not have been included in any of the CSFA program expenditure information.



The CYEFR must be completed and given to the auditor prior to the completion of the audit so that the auditor can provide the 'In Relation to' opinion. An 'In Relation To' opinion on the CYEFR to the audited financial statements is required to be included in all audit packages, except for:

- a) State agencies or component units of the state that are audited by the Illinois Office of the Auditor General,
- b) Grantees who expend less than the threshold amount as set out in 44 Ill. Admin. Code 7000.90(c)(2) in State-issued awards and have an audit conducted voluntarily or due to other regulatory requirements,
- c) Grantees who have a single audit conducted and expend less than the threshold amount as set out in 44 Ill. Admin. Code 7000.90(c)(2) in State-issued awards.

The CYEFR is not required to tie back to the audited financial statements, however, if the grantee is subject to a single audit or program-specific audit, the total federal expenditures reported in the CYEFR must tie to the total federal expenditures reported in the SEFA.

### *Step 3 - CPA Information and Instructions*

Through the Grantee Portal, the grantee is required to provide information about the CPA firm(s) conducting the grantee's audit, which includes the audit firm(s) contact information, as well as the Illinois Department of Financial and Professional Regulation license number for the audit firm(s). The grantee must provide the contact information for each CPA firm used in the audit.

In this step, the grantee will also download and provide the audit firm the auditor instructions, which is a helpful guide for the auditor(s) conducting the audit, as it includes a list of items that are required to be submitted for a successful audit package submission. The auditor instructions must be downloaded and provided to the auditor(s) prior to the start of audit testing. If more than one audit firm is conducting the audit, the auditor instructions must be provided to each audit firm.

If the grantee did not have an audit conducted, for the audit period, and is only required to submit the CYEFR, the grantee will not need to complete this step. The grantee will proceed to Step 5.

### *Step 4 – Upload Audit Package*

All awardees subject to 2 CFR 200 Subpart F – Audit Requirements are required to upload the single audit, program-specific audit, or alternative compliance examination engagement report to the Federal Audit Clearinghouse (FAC). Once accepted by the FAC, the report will be automatically retrieved and uploaded into the Grantee Portal/ARRMS based on the main UEI entered in the audit certification form. Within the Grantee Portal, the grantee must upload the management letters issued by the auditor, the audit firm's peer review report, along with the AICPA peer review report acceptance letter, and the CYEFR 'In Relation to' Opinion (if applicable). For-profit awardees are not required to upload the program-specific audit to the FAC. The program-specific audit will only be uploaded in the Grantee Portal.

For financial statement audits (GAGAS and GAAS), the grantee must upload the independent auditor's report, financial statements, notes to the financial statements, summary schedule of prior audit findings, corrective action plan (if applicable), management letters issued by the auditor, the CYEFR 'In Relation to' Opinion (if applicable), and the audit firm's peer review report, along with the AICPA peer review report acceptance letter, to the Grantee Portal.

For all audit types, when completing the audit package upload, the grantee must enter the date that the CPA signed the audit report. If multiple CPA firms were used, there will be multiple date fields available to enter. If the grantee did not have an audit conducted for the audit period, and is only required to submit the CYEFR, the grantee will not need to complete this step. The grantee will proceed to Step 5.

#### *Step 5 - Certification and Submission*

Once Steps 1 through 4 are all marked as complete, in the Grantee Portal, the grantee will certify and submit the audit case. This will complete the audit case submission process. Once this final step is submitted, the audit case will be locked down and no previous step can be marked as incomplete to make changes. Changes can only be made if the audit package is returned to the grantee, for corrections, after audit package review.

#### *Parent/Child Relationships in the GATA System*

The grantee must promptly notify its State cognizant agency and the GATU when it is determined that a parent/child relationship should be established in the GATA system for its organization and any related organizations, as this may have an impact on the audit reviews created for the applicable organizations. If there is a parent/child relationship established in the GATA system, the audit review will only be created and accessed by the parent organization, in the Grantee Portal. The child organization will have no visibility or access to the audit review in the Grantee Portal, nor will separate audit reviews be created under the child organization. The parent organization must ensure that the entire organization's activity is entered in the audit review created under its GATA registration.

#### *Fiscal Year-End Changes in the GATA System*

The grantee must promptly notify its State cognizant agency and the GATU when there is a fiscal year-end change for its organization, as the audit period is determined solely based on the grantee's fiscal year-end date. The audit period starts with the first date of the grantee's fiscal year and ends with the last date of the grantee's fiscal year, therefore, any change to a grantee's fiscal year-end may have a direct impact on the audit reviews created in the ARRMS. Changes made to a grantee's fiscal year-end may also require the creation of a stub audit, in the ARRMS, which can only be created by the GATU.

## State Awarding Agency Roles & Responsibilities

In the audit report review process, each State awarding agency is responsible to:

- a) Ensure their grantees comply with audit requirements and take appropriate action for non-compliance.
- b) Ensure that the CSFA is complete with the program and the subrecipient award information.
- c) Assign one audit report review liaison to be the main point of contact for the audit report review process.
- d) Assign at least one audit report review subject matter expert (SME) for program related findings.
- e) Request technical assistance from the GATU for fiscal and administrative requirements.
- f) Perform a reconciliation of the CYEFR expenditures to the state agency's records.
- g) Approve the corrective action plan for findings directly related to their grant program.
- h) Participate in the CART, as needed.
- i) Follow-up on audit findings to ensure that the recipient takes appropriate and timely corrective action.
- j) Collect the amount of Questioned Costs identified in an audit, if any and if federally funded, remit the federal share to the federal awarding agency.

## Timely Grantee Audit Package Submission

The State awarding agency is responsible for ensuring that the grantee submits their audit package by the deadline date for the specific audit type. For audits submitted to the FAC, the audit is due within the earlier of 30 calendar days after receipt of the auditor's report or 9 months after the end of the grantee's audit period. For financial statement audits, the audit is due within the earlier of 30 calendar days after receipt of the auditor's report or 6 months after the end of the grantee's audit period. For CYEFR Only reviews, the CYEFR is due within 6 months after the end of the grantee's audit period.

If an audit package is not submitted by the deadline date for the applicable audit type, the grantee is given a 15-day grace period. If the grantee has not submitted the audit package by the end of the 15-day grace period, the State awarding agency may utilize the Grantee Compliance Enforcement System (GCEs). See 44 Illinois Administrative Code 7000.80 – Grantee Compliance Enforcement System; Illinois Stop Payment List for further information.

## Accuracy in the CSFA

The State awarding agency must ensure that the CSFA is complete and reflects the most accurate award information for its recipients and subrecipients, as the information in the CSFA has a direct impact on the audit cases created in the ARRMS, as well as the programs auto-populated on the grantee's CYEFR. If an award is identified as missing, the State awarding agency must immediately add the award to the CSFA. The CYEFR categories selected by the agency in the CSFA, also impacts the program expenditure information available for the grantee to complete in the CYEFR.

### Liaisons/Subject Matter Experts

The State awarding agency must assign at least one audit report review liaison as the main point of contact for the audit report review process. The liaison will participate in the recurring Audit Report Review meetings, which are facilitated by the GATU, and will also receive any communications regarding updates in the audit report review process. In addition, the State awarding agency must also assign at least one audit report review subject matter expert (SME) for findings that directly impact the program provided by their agency. This SME will be responsible for reviewing the program-specific audit finding information and providing the CAP details in the ARRMS.

### Technical Assistance

The State awarding agency may request technical assistance from the GATU for fiscal and administrative requirements, when needed. The technical assistance includes, but is not limited to, the creation of parent/child relationships in the GATA system, fiscal year-end updates, creation of stub audits, and other ARRMS support.

### CYEFR Reconciliation

Each State awarding agency that made an award to the grantee is required to perform a reconciliation of the program expenditures reported on the grantee's CYEFR to the state agency's records. The awarding agency must then determine the total amount of state and federal pass-through expenditures that are considered to be unreconcilable and record the unreconcilable amounts in the ARRMS. The unreconcilable amount is the amount that has been communicated between the awarding agency and the grantee, however, it cannot be resolved. Based on the total unreconcilable state and federal amounts entered, the CYEFR reconciliation will be flagged with a status of "Reconciled", "Insignificant", "Significant" or "Incomplete". Each state awarding agency must complete the CYEFR reconciliation within 40 days of audit package acceptance.

### CAP Reconciliation

If a finding is identified in the audit report that impacts an awarding agency's program directly, the State awarding agency is responsible to review and accept the CAP for the finding. CAP information must be completed by each applicable awarding agency in the ARRMS within 30 days of the finding being populated. In addition, the awarding agency is responsible to follow-up on the audit findings to ensure that the recipient or subrecipient takes appropriate and timely corrective action.

### Questioned Costs

The State awarding agency is responsible to collect the amount of questioned costs identified in an audit, if any.

## State Cognizant Agency Roles & Responsibilities

In the audit report review process, each State cognizant agency is responsible to:

- a) Ensure grantees comply with audit requirements and take appropriate action for non-compliance.
- b) Review and accept the CAP for findings, identified in the audit report, that impact multiple state agencies and ensure all state awarding agencies have accepted the corrective action plan applicable to their grant program(s) within 30 days of the findings being populated in the ARRMS.
- c) Issue the Management Decision Letter (MDL) within the appropriate timeframe identified within the ARRMS.
- d) Request technical assistance from the GATU for fiscal and administrative requirements.

## Timely Audit Package Submission

The State cognizant agency is responsible for ensuring that the grantee submits their audit package by the deadline date for the specific audit type. For audits submitted to the FAC, the audit is due within the earlier of 30 calendar days after receipt of the auditor's report or 9 months after the end of the grantee's audit period. For financial statement audits, the audit is due within the earlier of 30 calendar days after receipt of the auditor's report or 6 months after the end of the grantee's audit period. For CYEFR Only reviews, the CYEFR is due within 6 months after the end of the grantee's audit period.

If an audit package is not submitted by the deadline date for the applicable audit type, the grantee is given a 15-day grace period. If the grantee has not submitted the audit package by the end of the 15-day grace period, the State cognizant agency is responsible to utilize the Grantee Compliance Enforcement System (GCEs). See 44 Illinois Administrative Code 7000.80 – Grantee Compliance Enforcement System; Illinois Stop Payment List for further information.

## CAP Reconciliation

If a finding is identified in the audit report that impacts multiple state awarding agencies, the State cognizant agency is responsible to review and accept the CAP for the finding. CAP information must be provided by the State cognizant agency in the ARRMS within 30 days of the finding being populated. In addition, the cognizant agency is responsible to follow-up on the audit findings to ensure that the recipient or subrecipient takes appropriate and timely corrective action. The cognizant agency is also responsible to certify that the information presented in the CAP reconciliation has been completed by the applicable, impacted awarding agencies.

### Management Decision Letter & CYEFR Only Letter

The State cognizant agency is responsible to issue the MDL or CYEFR Only letter within 180 days of acceptance of a complete audit report package. The MDL outlines the State's review of the audit report and associated corrective action (if necessary). For audits submitted to the FAC, the MDL is due 180 days after the acceptance of the audit report by the FAC. For financial statement audits, the MDL is due 180 days after package acceptance by the Contractor. For CYEFR Only reviews, the CYEFR Only letter is due 180 days after the grantee has submitted the CYEFR in the Grantee Portal. If the grantee appeals the MDL, the cognizant agency may forward the audit review to the CART to determine the next course of action.

### Technical Assistance

The State cognizant agency may request technical assistance from the GATU for fiscal and administrative requirements, when needed. The technical assistance includes, but is not limited to, the creation of parent/child relationships in the GATA system, fiscal year-end updates, creation of stub audits, cognizant agency updates, and other ARRMS support.

## Grant Accountability and Transparency Unit (GATU) Roles & Responsibilities

In the audit report review process, the GATU is responsible to:

- a) Design, implement and maintain the Audit Report Review Management System (ARRMS).
- b) Provide notifications, through the Grantee Portal, to the grantee regarding audit requirements, due dates, submission requirements and reminders.
- c) Monitor awarding agencies' system responses to CYEFR reconciliations to ensure timely completion of the reconciliation.
- d) Monitor awarding agencies' system responses to corrective action plans to ensure timely completion of the CAP reconciliation.
- e) Monitor cognizant agencies' issuance of the MDL(s) within the appropriate timeframe.
- f) Administer the CART process.
- g) Administer the Audit Committee process.
- h) Provide technical assistance as requested throughout the audit report review process.

### Audit Report Review Management System (ARRMS)

The GATU is responsible for designing, implementing, and maintaining the ARRMS. Any discussions regarding updates to the ARRMS will be facilitated by the GATU and communicated to the audit report review liaisons.

The ARRMS automatically sets the due date for the audit package submission to 6 months after the end of the grantee's audit period. However, the appropriate due date, for the specific audit type, required to be submitted by the grantee in the Grantee Portal, will update once the grantee has certified the audit type in Step 1. In addition, for audits required to be submitted to the FAC, once the ARRMS has detected that an audit was accepted by the FAC, the due date will automatically update, in the ARRMS, to reflect a submission due date of 30 days after the FAC acceptance date.

Please note that the due dates in the ARRMS will not reflect grace periods or extensions (issued by Federal OMB or the GATU only) provided to the grantee. These must be monitored by the State awarding agency and State cognizant agency. In addition, if an extension is given to a grantee, the applicable Federal OMB or GATU guidance must be followed.

### Audit Review Notifications to the Grantees

The GATU is responsible for providing notifications, through the Grantee Portal, to grantees regarding the audit reviews. The notifications include the due date for the audit package submission, references to the Audit section on the GATA website, reminders of the GCES, and the applicable contact for any audit questions.

### Monitoring State Awarding Agency/Cognizant Agency Actions

The GATU monitors the State awarding agency's responses to the CYEFR reconciliation to ensure timely completion of the reconciliation within the required timeframe. In addition, the GATU monitors the State awarding agency/State cognizant agency's responses to corrective action plans, for findings identified in the audit report, to ensure timely completion of the CAP reconciliation within the required timeframe. The State cognizant agency's timely completion of the management decision letter, within the ARRMS, is also monitored by the GATU.

### Administration of CART & Audit Committee

The GATU is responsible for administering the CART process and Audit Committee. The GATU will host the meetings for each of these stakeholders and provide technical assistance as needed.

### Technical Assistance

The GATU is responsible for providing technical assistance throughout the audit report review process to all stakeholders. Changes made to a grantee's fiscal year-end date, audit period dates, State cognizant agency, UEI, and other applicable grantee information, included in the audit review, can only be made by the GATU in the GATA system. Grantees, State awarding agencies, and State cognizant agencies may reach out to [OMB.GATA@illinois.gov](mailto:OMB.GATA@illinois.gov) with any technical assistance questions.



## Audit Report Review Contractor Roles & Responsibilities

The audit report review Contractor is responsible to:

- a) Review the grantee's audit report package to ensure a complete audit package has been submitted, the applicable auditing and reporting standards have been met, and issue a final rating.
- b) Perform Workpaper Quality Control Reviews related to audits that are determined to be substandard by the Audit Committee.

### Audit Package Review

The Contractor is responsible for reviewing the grantee's audit report package within 14 calendar days after the audit package is submitted in the Grantee Portal to determine if the audit package is complete. If an item is identified as missing by the Contractor, the audit package will be returned to the grantee, with a chance to provide the missing item. Once a complete audit package is submitted by the grantee, or the audit package has been returned its maximum number of times (grantees are given three chances), the Contractor will then proceed with reviewing the audit report to determine if it meets applicable auditing standards.

The Contractor is to follow the Council of the Inspectors General on Integrity and Efficiency (CIGIE) checklist to conduct a quality review to identify and document if any deficiencies exist. If any audit issues were identified during the review, the Contractor will classify the issues as either grantee or auditor specific and determine the level of significance. For grantee-specific issues, one of the following determinations will be given: No issues noted, Insignificant issues noted, or Significant issues noted. For auditor-specific issues, one of the following determinations will be given: Pass, Pass with Deficiencies, or Fail.

If the results of the audit report review are pass with deficiencies or fail, the details are forwarded to the Audit Committee to determine next steps.

### Workpaper Quality Controls

If an audit is determined to be substandard by the Audit Committee, the committee will refer the audit to the Contractor to perform a workpaper quality control review. The Contractor is to follow the applicable sections of the AICPA peer review manual, or for Single Audits, the *Guide for Quality Control Reviews of Single Audits* or Council of the Inspector General on Integrity & Efficiency *Guide for Desk Reviews of Single Audit Reports*.

## Cooperative Audit Resolution Team (CART) Roles & Responsibilities

CART is responsible for:

- a) Facilitating the resolution of oversight findings, improve communication, foster collaboration, promote trust, develop understanding, and enhance performance.

Its purpose is to improve program results through cooperative audit resolution and oversight processes that result in:

- a) Maximizing dialogue and cooperation between grantors and grantees
- b) Addressing the root causes of audit findings
- c) Fostering continuous improvement in program compliance, auditing, monitoring and technical assistance processes
- d) Identifying red flags indicating possible fraud, waste, abuse or mismanagement of grant funds, including notification of proper authorities, and
- e) Increasing efficiency and cost savings.

The CART process will be used in the following instances:

- a) The grantee disagrees with the audit finding,
- b) The impacted awarding agency, for a finding, disagrees with the corrective action plan,
- c) The grantee did not provide a corrective action plan for the finding identified in the audit report, or
- d) The grantee has appealed the management decision letter.
  - i) If the discussion between the grantee and the cognizant agency does not resolve the grantee's concerns, the agency will submit the audit case to CART.

## Audit Committee Roles & Responsibilities

The audit committee is responsible to:

- a) Determine appropriate action on audit reports determined to be substandard.
- b) Provide technical assistance to the CART and the GATU
- c) Follow-up to determine appropriate action on the results of Workpaper Quality Control Reviews

## Questions

For questions regarding the audit report review process, please contact your cognizant agency. For questions regarding specific program reporting, please contact the state agency that provided the grant funding.