

# Inspector General

United States  
Department *of* Defense



Oversight Review

December 5, 2011

Report on Quality Control Review of Grant  
Thornton, LLP FY 2009 Single Audit of  
Concurrent Technologies Corporation

Report No. DODIG-2012-029

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

DEC - 5 2011

Board of Directors  
Concurrent Technologies Corporation

Chief Financial Officer and Treasurer  
Concurrent Technologies Corporation

Audit Partner  
Grant Thornton, LLP

**SUBJECT:** Report on Quality Control Review of Grant Thornton, LLP FY 2009 Single Audit of Concurrent Technologies Corporation (Report No. DODIG-2012-029)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report. As the cognizant federal agency for Concurrent Technologies Corporation (Concurrent Technologies), we performed a review of the Grant Thornton, LLP single audit and supporting working papers for fiscal year ended June 30, 2009. The purpose of our review was to determine whether the audit was conducted in accordance with auditing standards<sup>1</sup> and the auditing and reporting requirements of Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," (Circular A-133). Appendix A contains additional background, scope and methodology for the review and Appendix B lists the applicable compliance requirements Grant Thornton considered direct and material to the FY 2009 single audit.

**Background.** Concurrent Technologies is an independent, nonprofit, applied scientific research and development professional services organization headquartered in Johnstown, Pennsylvania. Concurrent Technologies expended \$229.5 million in federal awards for the fiscal year ended June 30, 2009 under one federal program, the research and development cluster. Of the \$229.5 million, \$207.4 million was expended for Department of Defense programs.

**Review Results.** Concurrent Technologies generally met Circular A-133 reporting requirements except that the Schedule of Expenditures of Federal Awards included, but did not discretely identify, awards which are not subject to Circular A-133 audit requirements (Finding A). Grant Thornton generally met auditing standards and Circular A-133 requirements and no additional work is required for the Concurrent Technologies FY 2009 single audit. However, we identified performance and documentation issues that need to be addressed in future audits (Findings A and B).

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<sup>1</sup> Auditing standards include both Government Auditing Standards and the American Institute of Certified Public Accountants' audit standards.

**Management Comments and DoD IG Response.** The Audit Partner, Grant Thornton, agreed to take the recommended actions. Management comments were responsive and conform to requirements; no additional comments are needed. Management comments are included in their entirety at the end of this report.

## Findings

**Finding A. Schedule of Expenditures of Federal Awards.** Concurrent Technologies did not correctly prepare the FY 2009 Schedule of Expenditures of Federal Awards (the Schedule) because the Schedule included fixed price contracts that were not separately identified. In addition, while the auditors performed audit procedures related to the accuracy and completeness of the Schedule they failed to identify that the Schedule included fixed price contracts. Based on our discussions with the audit partner, it appears that these deficiencies occurred because neither the auditors nor Concurrent Technologies management were aware that fixed price contracts are not considered federal awards subject to audit under Circular A-133. An accurate Schedule is necessary to enable auditors to correctly identify the awards subject to the federal program compliance audit so that sufficient and appropriate audit evidence is obtained to support audit conclusions. We believe the failure to discretely identify fixed price contracts contributed to the sampling deficiency discussed in Finding B.

Circular A-133 defines federal awards as federal financial assistance and cost reimbursement contracts that auditees receive directly from federal awarding agencies or indirectly from pass-through entities. Accordingly, fixed price contracts are not considered federal awards for purposes of the Circular A-133 audit. Therefore, if fixed price contracts are included in the Schedule they should be discretely identified so that the auditor can exclude them from the sampling population. Circular A-133 and the AICPA Audit Guide “Government Auditing Standards and Circular A-133 Audits” provide the audit requirements and suggested procedures for performing the review of the Schedule. The purpose of these procedures is to determine whether the Schedule provides an appropriate basis for planning the federal program audit. Therefore, the auditors must determine the accuracy and completeness of the Schedule to properly plan and execute an adequate scope for the Circular A-133 audit.

As a result of our review, Concurrent Technologies took corrective action on the FY 2010 single audit submitted to the Federal Audit Clearinghouse on March 29, 2011. The FY 2010 Schedule of Expenditures of Federal Awards clearly and separately identifies the fixed price contracts. Concurrent Technologies’ corrective actions are sufficient to address the deficiency. For future audits Concurrent Technologies should continue to separately identify fixed price awards included in the Schedule.

**Finding B. Performance and Documentation of the Federal Program Audit.** Grant Thornton needs to improve the documentation of procedures performed to support the federal program audit conclusions and needs to improve the sample selection process in future single audits. Specifically, the documentation did not provide details of the procedures performed to support the conclusion that subrecipient monitoring requirements were not applicable to Concurrent Technologies’ research and development cluster awards and the sample used for the compliance testing of four requirements inappropriately included commercial and fixed price

contracts which are not subject to audit under Circular A-133. In addition, the documentation of the federal program internal control review and compliance audit did not always provide a clear description of audit procedures performed and evidence obtained to support the conclusions on Concurrent Technologies' compliance with federal compliance requirements. As a result, we spent time obtaining additional verbal explanations and reviewing additional documentary evidence to determine whether there was sufficient evidence to support the audit conclusions.

**Subrecipient Monitoring Compliance Requirement.** Grant Thornton documentation did not contain sufficient details to support their conclusion that the subrecipient monitoring requirement was not applicable to research and development cluster awards because the documentation did not include essential award information needed to make this determination. Because the distinction between vendor and subrecipient awards has a significant impact on both the auditee and auditor responsibilities, and because approximately 24 percent of Concurrent Technologies federal expenditures were for subawards, we re-tested awards to see if we came to the same conclusions as the auditors. Based on our analysis, we do not agree with the auditor's determination that the subrecipient monitoring requirement was not applicable.

Circular A-133 provides guidance for distinguishing between a subrecipient and vendor relationship. The Compliance Supplement Part 5 provides guidance specific to research and development awards. In general, for research and development awards key distinctions between a subrecipient and vendor relationship are that: (1) subrecipient funding is provided to perform a portion of the scope of work or objective of the pass-through entity's award; however, vendor payments are for goods and services used in the conduct of the award but not in directly accomplishing the award objective; and, (2) subrecipients are responsible for adhering to federal program compliance requirements while vendors generally are not.

The auditors reviewed 24 subawards to evaluate Concurrent Technologies' assertion that all federal award funds passed-through to non-federal entities represent a vendor relationship rather than subrecipient relationship. The review was performed with Concurrent Technologies program managers and the documentation consisted of yes/no determinations for each award against a listing of subrecipient and vendor characteristics contained in Circular A-133. Based on this review Grant Thornton accepted Concurrent Technologies' assertion that all subawards were made to vendors, and therefore subrecipient monitoring requirements were not applicable.

We re-tested five subawards reviewed by the auditors in order to make a determination on the characteristics of a vendor and subrecipient relationship that are identified above. We reviewed and compared the award requirements for both the Concurrent Technologies' award and the subaward. Based on our review of the scope of work for both the subaward and the related Concurrent Technologies' award, we found that in all instances the purpose of the subaward was to carry out an objective of the Concurrent Technologies' research and development award. We also found that in all instances the subaward entity was required to adhere to administrative and compliance requirements flowed down from the Concurrent Technologies' award. Therefore, we concluded that the subrecipient monitoring compliance requirements are applicable to Concurrent Technologies' research and development cluster. Although we performed sufficient procedures to determine that the subrecipient monitoring

requirement was applicable, it was beyond the scope of the quality control review to perform additional procedures to determine any further impact based on how many Concurrent Technologies' subawards met either the subrecipient or vendor criteria. In our opinion, it is in the government's best interests for the auditors to review this determination process in the next single audit.

The importance of appropriately distinguishing between a subrecipient and a vendor relationship is significant because it determines the degree of pass-through entity oversight responsibilities and it affects the auditor's ability to properly plan and execute an adequate scope for the Circular A-133 audit. In addition, if the distinction is not properly made it will negatively affect Concurrent Technologies' ability to appropriately comply with reporting requirements under the Federal Funding Accountability and Transparency Act. This Act relates to subaward reporting under grants, cooperative agreements and contracts and became effective in October 2010. Therefore, for future audits, Grant Thornton needs to perform procedures to determine the adequacy of Concurrent Technologies' policies and procedures for distinguishing between subrecipient and vendor awards, determine whether subrecipient monitoring requirements are direct and material to the research and development program cluster, and plan and perform further audit procedures as needed.

**Sampling Population for Federal Program Audit.** Grant Thornton needs to ensure that the population used to select samples for compliance testing in future audits is appropriate for the single audit objectives. The sample used to test compliance with activities allowed, allowable costs, cash management, and period of availability for the FY 2009 audit included several transactions from commercial and fixed price contracts. Commercial and fixed price contracts are not subject to the Circular A-133 audit requirements and testing transactions from these contracts does not provide appropriate evidence for the conclusions on federal program compliance. The inclusion of contracts that were not subject to Circular A-133 audit requirements was not material for the FY 2009 audit; however, the improper inclusion of commercial and fixed price contracts in Circular A-133 audits could become material in the future and impact the sufficiency of appropriate evidence.

Circular A-133 defines federal awards as federal financial assistance and federal cost reimbursement contracts that the auditee receive directly from federal awarding agencies or indirectly from pass-through entities. Accordingly, fixed price and commercial contracts are not considered federal awards for purposes of the Circular A-133 audit. The American Institute of Certified Public Accountants audit standards on sampling, AU §350.17, state that the auditor should determine that the population from which the sample is drawn is appropriate for the specific audit objective. Because fixed price and commercial contracts are not considered federal awards, they cannot be used to meet the objectives of the Circular A-133 compliance audit.

**Working Paper Documentation.** Grant Thornton needs to enhance the documentation for the understanding of internal control and the testing of internal controls and compliance with applicable compliance requirements in future audits. The documentation for the FY 2009 audit did not include sufficient details to support the auditor's understanding of internal control for the activities allowed, allowable cost principles, cash management, period of

availability, and procurement requirements. In addition, the documentation for the testing of internal control or compliance for allowable cost principles, cash management, procurement, and key personnel award provisions did not include sufficient details to clearly support the audit conclusions. As a result, we had to obtain additional documentation and verbal explanations from the audit manager in order to conclude that there was sufficient evidence to support the audit conclusions on Concurrent Technologies' compliance with requirements applicable to the research and development cluster. The specific details of the documentation deficiencies were discussed with Grant Thornton during the site visit.

Auditing standards require that audit documentation be appropriately detailed to provide a clear understanding of the work performed, the evidence obtained, and the conclusions reached. The documentation should be in sufficient detail to enable an experienced auditor to understand from the documentation the nature, timing, extent, and results of audit procedures performed and the evidence that support the auditors' significant judgments and conclusions. Given the auditors were able to provide verbal explanations and other audit documentation to support the sufficiency of evidence, our recommendation addresses the need for the auditors to perform future actions to ensure the audit documentation complies with auditing standards.

## **Recommendation and Management Comments**

**We recommend that in future Circular A-133 audits the Audit Partner, Grant Thornton, LLP:**

- 1. Perform additional procedures to determine whether the Concurrent Technologies Schedule of Expenditures of Federal Awards discretely identifies fixed price contracts.**
- 2. Perform audit procedures to determine the adequacy of Concurrent Technologies' policies and procedures for distinguishing between subrecipient and vendor awards, determine whether subrecipient monitoring requirements are direct and material to the research and development program cluster, and plan and perform further audit procedures as needed.**
- 3. Review the sampling methodology to ensure the sampling population used is appropriate for federal program compliance testing.**
- 4. Improve work paper documentation to include sufficient details to support the understanding of internal controls and the audit procedures performed and evidence obtained to support conclusions on the review of internal controls and the compliance audit over allowable costs/cost principles; cash management; procurement, suspension, and debarment; and special tests compliance requirements.**
- 5. Provide the Department of Defense Office of Inspector General with the working paper documentation from the FY 2011 single audit that**

**demonstrates corrective actions taken to address the deficiencies related to subrecipient monitoring, the sample selection process, and working paper documentation that were identified in this quality control review.**

**Grant Thornton Comments.** The Audit Partner, Grant Thornton, agreed to take the recommended actions. Management comments are included in their entirety at the end of this report.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Ms. Carolyn R. Davis at (703) 604-8877.

A handwritten signature in black ink, appearing to read 'Randolph R. Stone', with a long horizontal flourish extending to the right.

Randolph R. Stone, SES  
Deputy Inspector General  
Policy and Oversight

# Appendix A. Quality Control Review Process

## Background, Scope and Methodology

The Single Audit Act, Public Law 98-502, as amended, was enacted to improve the financial management of State and Local Governments and nonprofit organizations by establishing a uniform set of auditing and reporting requirements for all federal award recipients required to obtain a single audit. Circular A-133 establishes policies that guide the implementation of the Single Audit Act and provides an administrative foundation for uniform audit requirements of non-federal entities expending federal awards. Entities that expend \$500,000 are subject to the Single Audit Act and the audit requirements in Circular A-133. Therefore, they must have an annual single or program-specific audit performed under government auditing standards and submit a complete reporting package to the Federal Audit Clearinghouse.

We reviewed the Grant Thornton, LLP FY 2009 single audit of Concurrent Technologies Corporation and the reporting package that was submitted to the Federal Audit Clearinghouse on September 15, 2009, using the 1999 edition of the “Uniform Quality Control Guide for the A-133 Audits” (the Guide). The Guide applies to any single audit that is subject to the requirements of OMB Circular A-133 and is the approved President’s Council on Integrity and Efficiency<sup>2</sup> checklist used for performing quality control reviews. We performed the review from August 2010 through September 2011. The review was conducted in accordance with the Quality Standards for Inspection and Evaluation. The review focused on the following qualitative aspects of the single audit:

- Qualification of Auditors,
- Independence,
- Due Professional Care,
- Planning and Supervision,
- Internal Control and Compliance testing,
- Schedule of Expenditures of Federal Awards, and
- Data Collection Form.

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<sup>2</sup> The President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency combined into the Council of the Inspectors General on Integrity and Efficiency in accordance with the Inspector General Reform Act of 2008.

## **Prior Quality Control Reviews**

Since October 1, 2005, we have performed one quality control review of a Grant Thornton, LLP Circular A-133 audit. The quality control review identified deficiencies resulting in a similar finding and recommendation on audit documentation. Unrestricted IG DoD reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

## **IG DoD Reports**

IG DoD Report No. D-2008-6-004, "Report on Quality Control Review of Noblis Incorporated FY 2006 Single Audit," March 31, 2008

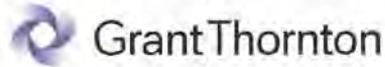
## Appendix B. Compliance Requirements<sup>3</sup>

<b>Compliance Requirements</b>	<b>Applicable</b>	<b>Not Applicable/ Not Material</b>
Activities Allowed/Unallowed	X	
Allowable Costs/Cost Principles	X	
Cash Management	X	
Davis-Bacon Act		X
Eligibility		X
Equipment and Real Property Management		X
Matching, Level of Effort, Earmarking		X
Period of Availability of Federal Funds	X	
Procurement, Suspension, and Debarment	X	
Program Income		X
Real Property Acquisition and Relocation Assistance		X
Reporting	X	
Subrecipient Monitoring		X
Special Tests and Provisions	X	

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<sup>3</sup> This chart reflects the auditor's determination on compliance requirement applicability and materiality. As noted in Finding B, the audit documentation did not provide sufficient detail to support the auditor's conclusion that the subrecipient monitoring requirement was not applicable.

# Grant Thornton, LLP Comments



October 27, 2011

Ms. Carolyn R. Davis  
Assistant Inspector General for Audit Policy and Oversight  
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Arlington, VA 22202-4704

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Dear Ms. Davis:

Grant Thornton LLP is providing responses to the findings in the letter we received dated September 29, 2011 with the subject "Report on Quality Control Review of Grant Thornton, LLP FY 2009 Single Audit of Concurrent Technologies Corporation (Project No. D2010-DIP0AC-0260)". We have formatted this letter to include your findings/comments followed by our response.

#### ***Finding A-Schedule of Expenditures of Federal Awards***

*While the auditors performed audit procedures related to the accuracy and completeness of the Schedule they failed to identify the Schedule included fixed price contracts. Based upon our discussions with the audit partner, it appears that those deficiencies occurred because neither the auditors nor Concurrent Technologies management were aware that fixed price contracts are not considered federal awards subject to audit under Circular A-133. An accurate Schedule is necessary to enable auditors to correctly identify the awards subject to federal program compliance audit so that sufficient and appropriate audit evidence is obtained to support audit conclusions. We believe that failure to discretely identify fixed price contracts contributed to the sampling deficiency discussed in Finding B.*

*Circular A-133 defines federal awards as federal financial assistance and cost reimbursement contracts that awardees receive directly from federal awarding agencies or indirectly from pass-through entities. Accordingly, fixed price contracts are not considered awards for purposes of the Circular A-133 audit. Therefore, if fixed price contracts are included in the Schedule they should be discretely identified so that the auditor can exclude them from the sample population. Circular A-133 and the AICPA Audit Guide "Government Auditing Standards and Circular A-133 Audits" provide the audit requirements and suggested procedures for performing the review of the Schedule. The purpose of these procedures is to determine whether the Schedule provides and appropriate basis for planning the federal program audit. Therefore, the auditors must determine the accuracy and completeness of the Schedule to properly plan and execute an adequate scope for the Circular A-133 audit.*

**Response-** We agreed with the IG auditor's comment that a better presentation would be to separately identify the fixed price contracts on the SEFA. Beginning in fiscal year 2010, Concurrent Technologies Corporation segregated fixed price contracts separately on the SEFA and we tested their policies and procedures to ensure that such fixed price contracts were appropriately identified and separated from the cost reimbursable contracts on the SEFA. The audit partner and audit team had a good understanding of the definition of an award under Circular A-133, including the fact that fixed price contracts are not subject to such audit requirements. All government awards had historically been included in the Schedule of Expenditures of Federal Awards ("SEFA") as a means of agreeing the total amount of government expenditures in a given year to the Company's underlying accounting records.

Grant Thornton LLP  
U.S. member firm of Grant Thornton|Member|01/11/11

Further, the engagement team received a full download of the job cost ledger for 2009 to ensure that a complete population of expenditures for all federal awards was used for testing. This enabled the audit team to ensure that all expenditures subject to testing for both the financial statement audit and the single audit had an equal probability of being selected for testing. Since the control testing identified in the workpapers supporting the single audit also provided support to the financial statement audit, it was accepted that any contract cost regardless of type was selected for testing as the control objective should be met irrespective of the nature of the award. For efficiency purposes, compliance procedures were extended to the items selected for control testing.

#### **Finding B**

##### **Sampling Population for Federal Program Audit**

*Grant Thornton needs to ensure that the population used to select samples for compliance testing in future audits is appropriate for the single audit objectives. The sample used to test compliance with activities allowed, allowable costs, cash management, and period of availability for the FY 2009 audit included several transactions from commercial and fixed price contracts. Commercial and fixed price contracts are not subject to the Circular A-133 audit requirements and testing transactions from these contracts does not provide appropriate evidence for the conclusions on federal program compliance. The inclusion of contracts that were not subject to Circular A-133 audit requirements was not material for the FY 2009 audit; however, the improper inclusion of commercial and fixed price contracts in Circular A-133 audits could become material in the future and impact the sufficiency of appropriate evidence.*

**Response-**In future engagements, we will remove any sample items from fixed price or commercial awards that are used to support our financial statement audit from the single audit testing workpapers to avoid any confusion.

##### **Subrecipient Monitoring Compliance Requirement**

*Grant Thornton documentation did not contain sufficient details to support their conclusion that the subrecipient monitoring requirement was not applicable to research and development cluster awards because the documentation did not include essential award information needed to make this determination. Because the distinction between vendor and subrecipient awards has a significant impact on both the auditee and auditor responsibilities, and because approximately 24 percent of Concurrent Technologies federal expenditures were for subawards, we retested awards to see if we came to the same conclusions as the auditors. Based on our analysis, we do not agree with the auditor's determination that the subrecipient monitoring requirement was not applicable.*

*Circular A-133 provides guidance for distinguishing between a subrecipient and vendor relationship. The Compliance Supplement Part 5 provides guidance specific to research and development awards. In general, for research and development awards key distinctions between a subrecipient and vendor relationship are that (1) subrecipient funding is provided to perform a portion of the scope of work or objective of the pass-through entity's award; however, vendor payments are for goods and services used in the conduct of the award but not in directly accomplishing the award objective; and (2) subrecipients are responsible for adhering to federal program compliance requirements while vendors generally are not.*

*The auditors reviewed 24 subawards to evaluate Concurrent Technologies' assertion that all federal award funds passed-through to non-federal entities represent a vendor relationship rather than subrecipient relationship. The review was performed with Concurrent Technologies program managers and the documentation consisted of*

*yes/no determinations for each award against a listing of subrecipient and vendor characteristics contained in Circular A-133. Based on this review Grant Thornton accepted Concurrent Technologies' assertion that all subawards were made to vendors' and therefore subrecipient monitoring requirements were not applicable.*

*We re-tested five subawards reviewed by the auditors in order to make the determination on the characteristics of a vendor and subrecipient relationship that are identified above. We reviewed and compared the award requirements for both Concurrent Technologies' award and the sub award. Based upon our review of the scope of work for both the subaward and the related Concurrent Technologies' award, we found that in all instances the purpose of the subaward was to carry out an objective of the Concurrent Technologies' research and development award. We also found that in all instances the subaward entity was required to adhere to administrative and compliance requirements flowed down from the Concurrent Technologies award. Therefore, we concluded that the subrecipient monitoring compliance requirements are applicable to Concurrent Technologies' research and development cluster. Although we performed sufficient procedures to determine that the subrecipient monitoring requirement was applicable, it was beyond the scope of the quality control review to perform additional procedures to determine any further impact based on how many Concurrent Technologies' subawards met either the subrecipient or vendor criteria. In our opinion, it is in the government's best interest for the auditors to review this determination process in the next single audit.*

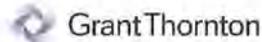
*The importance of appropriately distinguishing between a subrecipient and a vendor relationship is significant because it determines the degree of pass-through entity oversight responsibilities and it affects the auditor's ability to properly plan and execute and adequate scope for the Circular A-133 audit. In addition, if the distinction is not properly made it will negatively affect Concurrent Technologies' ability to appropriately comply with reporting requirements under the Federal Funding Accountability and Transparency Act. The Act relates to subaward reporting under grants, cooperative agreements and contracts and became effective in October 2010. Therefore, for future audits, Grant Thornton needs to perform procedures to determine the adequacy of Concurrent Technologies' policies and procedures for distinguishing between subrecipient and vendor awards, determine whether subrecipient monitoring requirements are direct and material to the research and development cluster, and plan and perform further audit procedures as needed.*

**Response-** We understand the IG auditors comment and will enhance our documentation to support the conclusion as to whether the entity being reviewed is a vendor or subrecipient. We will test Concurrent Technologies Corporation's policies and procedures to determine if they are adequate to distinguish between vendors and subrecipients, and that they adequately ensure that such subrecipients are appropriately monitored.

#### **Sampling Population for Federal program Audit**

*Grant Thornton needs to ensure that the population used to select samples for compliance testing in future audits is appropriate for the single audit objectives. The sample used to test compliance with activities allowed, allowable costs, cash management and period of availability for FY 2009 audit included several transactions from commercial and fixed price contracts. Commercial and fixed price contracts are not subject to the Circular A-133 audit requirements and testing transactions from these contracts does not provide appropriate evidence for the conclusions on federal program compliance. The inclusion from contracts that were not subject to Circular A-133 audit requirements was not material for the FY 2009 audit; however, the improper inclusion of commercial and fixed price contracts in Circular A-133 audits could become material in the future and impact the sufficiency of appropriate evidence.*

*Circular A-133 defines federal awards as federal financial assistance and federal cost reimbursement contracts that the auditee receive directly from federal awarding agencies or indirectly from pass-through entities. Accordingly, fixed price and commercial contracts are not considered federal awards for purposes of the Circular A-133 audit. The American Institute of Certified Public Accountants audit standards on Sampling, AU*



350.17, state that the auditor should determine that the population from which the sample is drawn is appropriate for the specific objective. Because fixed price and commercial contracts are not considered federal awards, they cannot be used to meet the objectives of the Circular A-133 compliance audit.

**Response-** In future engagements, we will remove any sample items from fixed price or commercial awards that are used to support our financial statement audit from the single audit testing workpapers to avoid any confusion.

#### **Working Paper Documentation**

*Grant Thornton needs to enhance the documentation for the understanding of internal control and testing of internal controls and compliance with applicable compliance requirements in future audits. The documentation for the FY 2009 audit did not include sufficient details to support the auditors' understanding of internal control for the activities allowed, allowable cost principles, cash management, period of availability and procurement requirements. In addition, the documentation for the testing of internal control or compliance for allowable cost principles, cash management, procurement, and key personnel award provisions did not include sufficient details to clearly support the audit conclusions. As a result, we had to obtain additional documentation and verbal explanations from the audit manager in order to conclude that there was sufficient evidence to support the audit conclusions on Concurrent Technologies' compliance with requirements applicable to the research and development cluster. The specific details of the documentation deficiencies were discussed with Grant Thornton during the site visit.*

*Auditing standards require that the audit documentation be appropriately detailed to provide a clear understanding of the work performed, the evidence obtained, and the conclusions reached. The documentation should be in sufficient detail to enable an experienced auditor to understand from the documentation the nature, timing, extent and results of audit procedures performed and the evidence that support the auditors' significant judgments and conclusions. Given the auditors were able to provide verbal explanations and other documentation to support the sufficiency of evidence, our recommendation addresses the need for the auditors to perform future actions to ensure the audit documentation complies with auditing standards.*

**Response-** As noted in your finding, we provided the IG auditor a narrative documentation from our permanent files to further support our understanding of Concurrent Technologies internal controls. In the situations where process and control descriptions were general, more details were subsequently added. We will also enhance our documentation to support the conclusions reached for testing the applicable compliance requirements.

Since the FY 2011 single audit was completed prior the receipt of your letter. We will make our FY2012 single audit workpapers available to you to demonstrate the corrective actions taken to address all of the matters noted above.

Sincerely,

Anthony J. Ricciardella  
Partner



# Inspector General Department of Defense

