



Audit Certificates

MnDOT Policy FM003

Policy Contents

- [Policy Statement](#)
- [Reason for Policy](#)
- [Who Needs to Know this Policy](#)
- [Procedures](#)
- [Forms/Instructions](#)
- [Definitions](#)
- [Responsibilities](#)
- [Appendices](#)
- [Frequently Asked Questions](#)
- [Related Information](#)
- [History](#)

Effective Date as signed by Responsible Senior Officer

Last Update

Replaces 82-1A and 82-1-G1A, "Audit Certificates," 11-23-1992, (84-3-P2A, 2-5-1986), (82-1A, 11-23-1992), (84-3-G3A, 11-23-1992), (82-1-G2A, 11-23-1992), (82-1-P1A, 11-23-1992)

Responsible Senior Officer

- Bernard J. Arseneau
Deputy Commissioner and Chief Engineer
bernie.arseneau@state.mn.us
651-366-4838

Policy Owner

- Daniel Kahnke
Audit Director
daniel.kahnke@state.mn.us
651-366-4140

Policy Contact

- Bruce Kalland
External Audit Manager
bruce.kalland@state.mn.us
651-366-4130

Policy Statement

Under the federally sponsored single audit concept, the MnDOT Audit Office is charged with rendering an opinion on MnDOT's financial management practices involving federal and state funds, as well as expressing an opinion on the integrity of the total financial system, regardless of whether it involves a program with federal participation or with state funds only.

Reason for Policy

An Audit Certificate is a professional finding based on the Federal Acquisition Regulation (FAR). Reference the link, <http://acquisition.gov/far/>. It is MnDOT standard practice that audit certification is compliant with the purpose and intent of the FAR.

Who Needs to Know this Policy

MnDOT Agreement Administrators

Procedures

Contract Administrator Final Audit Certificate Approval

- The Audit Office issues a final audit certificate in conformance with a departmental contract. The certificate may not be revised unless additional information presented supports costs previously disallowed.
- Based on knowledge of the project and reasonable business judgment, the contract administrator may still recommend reimbursement of costs cited or otherwise disallowed by the Audit Office. These payments must be certified by the Division Director (of the agreement) or appropriate designee.
- The draft administrative approval document is to be approved by the Audit Office prior to submittal to the Division Directors for approval.

External Audit Follow-up

- After the final audit certificate is completed, it is sent to the administrator of the agreement for review and signature upon concurrence.
- If there are audit adjustments involved, an additional step is required. The administrator sends a copy of the schedule of audit adjustments to the party being audited for review and agreement. When a resolution is reached, the administrator signs the audit certificate and sends it back to the Audit Office for final processing.
- The Audit Office issues quarterly reports which include schedules of audit certificates (more than 60 days previous) that have not been signed and returned to Audit by the administrator. The schedules also include any agreements that have been held more than 60 days awaiting information required to complete an audit. The schedules are sent to the Deputy Commissioner and Chief Engineer, the Division Director (for the agreement) and the Office Director (for the agreement).
- The contract administrator contacts the Audit Office if there is a disagreement with the contract status.

Dispute Resolution Panel

- In a case where a contract administrator (as identified in the agreement as MnDOT's authorized agent for the contract) has not successfully resolved a contractor's dispute over disallowances recommended by the Audit Office, the contract may appeal to the Deputy Commissioner and Chief Engineer for a review by a Dispute Resolution Panel.
- In making a recommendation, the panel will have access to pertinent MnDOT records. The recommendation of the panel and the resultant decision by the Deputy Commissioner do not alter the audit. Rather, the opinion of the auditors, expressed by the audit, remains intact as part of the audit record.

- ***Procedures for Dispute Resolution Panels***

- On receiving a formal request, the Deputy Commissioner and Chief Engineer will create an Ad Hoc Dispute Resolution Panel composed of three or five MnDOT managers. The panel will make a recommendation to the Deputy for an administrative decision and settlement in an administrative appeal over disallowed contract costs. Panel composition may vary by case.
- A member of the contract administrator's office will serve as the panel's permanent record-keeper. In addition, that person's function will be to provide historical records and continuity to the Dispute Resolution Panel. This person will ensure that meeting minutes are taken and he/she will maintain custody of all records including panel minutes, recommendations, and decisions made by the Deputy Commissioner and Chief Engineer.
- The Dispute Resolution Panel will hear testimony from the contractor, a member of the Audit Office and the contract administrator. Additional testimony may be provided by other offices and by other representatives of the contractor.
- Upon reaching a decision concerning its recommendation, the panel will present its written recommendation to the Deputy Commissioner and Chief Engineer. The Deputy's decision will be the department's final administrative decision, which decision will have no precedential effect.

Additional Panel duties and responsibilities:

- Have access to pertinent audit and contract records and all of the Dispute Resolution Panel's historical records;
- Make an effort to expedite a dispute review and make recommendation;
- Meet as necessary, based on the dispute and the difficulty of the issues involved. The allowable timeframe in which to make recommendations will be determined by the Deputy Commissioner and Chief Engineer at the time of the assignment;
- Assess the effect its recommendation may have on federal funds;
- Assess the effect its recommendation may have on other agreements with the company and other companies;
- Assess the effect the recommendation may have on interpretation of applicable state and federal regulations;
- Make recommendations based on attainable facts;
- Consult with the FHWA (Federal Highway Administration) and/or the Minnesota Attorney General to obtain relevant facts;
- Ensure that the contents of its report to the Deputy Commissioner and Chief Engineer includes a summary of the case, the testimony heard, the positions taken, and the panel's recommendations (along with the supporting rationale);
- Provide the Audit Office with the records of the Deputy Commissioner and Chief Engineer's decision so that the audit records can include documentation of the decision.

Forms/Instructions

N/A

Definitions

Schedule A

Schedule A includes all audit certificates that are more than 60 days old. The audit certificates need approval by the administrator before the contractor can either be paid or billed.

Schedule B

Schedule B includes all agreements which have been held for information for more than 60 days. Audit can proceed to issue a final audit certificate when the information is received by the Audit staff.

Responsibilities *(listed alphabetically)*

Agreement Administrator

- Approves results of audits (Audit Certificates) that are not contested
- Prepares administrative approval for payment authorization of final audit close-out

Deputy Commissioner and Chief Engineer

Receives quarterly report of Audit Office accomplishments and status of audits in progress

Dispute Resolution Panel

See description above.

Division Directors

Approve payment authorization of final audit close-out.

External Audit Manager

Reviews Administrative Approval Memo to verify the Agreement Administrator has made an objective and thorough assessment.

Appendices

[Federal Agency Regulations, Subpart 1.3 - Agency Acquisition Regulations \(1.301 Policy\)](#). “(a)(1) Subject to the authorities in paragraph (c) of this section and other statutory authority, an agency head may issue or authorize the issuance of agency acquisition regulations that implement or supplement the FAR and incorporate, together with the FAR, agency policies, procedures, contract clauses, solicitation provisions, and forms that govern the contracting process or otherwise control the relationship between the agency, including any of its sub-organizations, and contractors or prospective contractors.”

Frequently Asked Questions

Related Information

History of Policy Updates or Amendments

Replaces 82-1-G1A, “Audit Certificates,” 11-23-1992, (84-3-P2A, 2-5-1986), (82-1A, 11-23-1992), (84-3-G3A, 11-23-1992), (82-1-G2A, 11-23-1992), (82-1-P1A, 11-23-1992)

Policy Owner

Daniel E Kahnke

Daniel Kahnke
Director, Office of Audit

Date Signed 11-14-12

Internal Control & Accountability Governance Board has reviewed this policy and recommends approval

Tracy Hatch

Tracy Hatch (on behalf of the Board)
Board Chair and Chief Financial Officer

Date Signed 1.4.2013

Responsible Senior Officer

Bernard J. Arseneau

Bernard J. Arseneau
Deputy Commissioner and Chief Engineer

Date Signed 1-7-13