



Accounting System Audit Guidance

What is an Accounting System Audit?

An accounting system audit is an examination of the financial and accounting system(s) of an organization to determine compliance with the applicable Federal requirements for the management and administration of Federal funds provided in awards or contracts. The accounting system audit is performed by an independent third party, typically a Certified Public Accountant or the Defense Contract Audit Agency (DCAA).

Why is an Accounting System Audit necessary?

Recipients of a Department of Energy (DOE) Office of Clean Energy Demonstrations (OCED) Federal financial assistance award have a legal responsibility to use the funds made available to them prudently and in compliance with applicable Federal laws, regulations, and the terms and conditions of the award. Therefore, award recipients are required to have adequate financial management practices and accounting systems, as well as a system of internal controls, that meet all applicable requirements. OCED can require an accounting system audit during any phase of the project.

What are the Federal requirements an Accounting System must follow?

ALL prospective award recipients are encouraged to become familiar with [2 CFR Part 200, Subpart D – Post Federal Award Requirements](#), or [2 CFR Part 910, Subpart D – Post Award Federal Requirements for For-Profit Entities](#), as early as possible to help ensure compliance.

Relevant requirements include, but are not limited to:

- Identification of all Federal awards received and expended, and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number, year Federal award was issued, and name of the Federal agency or pass-through entity, if any.
- Maintaining records that sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards. These records must contain information necessary to Federal awards, authorizations, financial obligations, unobligated balances, as well as assets, expenditures, income, and interest.

The accounting records must be supported by source documentation including purchase orders, invoices, canceled checks, payroll records, and all other records pertinent to the award. All records must be maintained in accordance with the retention requirements described in 2 CFR § 200.334 ([Record retention requirements](#)). In most cases, records will need to be maintained for a period of three years from the date of submission of the final financial expenditure report.

This guidance document does not supersede Federal laws and regulations. This OCED guidance document is for informational purposes only and is not a requirements document. If there are inconsistencies between this OCED guidance document and any specific program or project document, the specific OCED program or project document should be relied upon as it is the controlling document.

- Effective control over, and accountability for, all funds, property, and assets.
- Comparison of actual expenditures with the budgeted amounts for all awarded budget categories, for each Federal award.
- Written procedures for payment methods that minimize the time elapsing between the transfer of funds to the recipient or subrecipient from the Federal Agency, and the awardee's use of those funds for program purposes in accordance with 2 CFR § 200.305 ([Federal Payment](#)). This applies to recipients and subrecipients other than states, and 2 CFR § 200.305(a) sets forth what rules apply to states.
- Written policies and procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the applicable 2 CFR Subpart E ([Cost Principles](#)) and the terms and conditions of the award.
- Establishing, documenting, and maintaining effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, in accordance with 2 CFR § 200.303 ([Internal Controls](#)).
- Adequate accounting for cost sharing. Acceptable forms of cost sharing contributions are those which meet the criteria established in 2 CFR § 200.306 ([Cost Sharing](#)) or 2 CFR § 910.130 ([Cost Sharing](#)). For more information on cost sharing, see the located on the OCED's [Budget and Financial Management Related Guidance](#) page.
- A system of internal controls for salaries and wages charged to Federal awards that provides reasonable assurance that the personnel costs incurred are accurate, allowable, and properly allocated. Generally, this system of internal controls should ensure that the total compensation paid to individual employees is reasonable according to the work performed on the OCED-supported project; the compensation is made in accordance with established policies of the organization; and that the compensation policies are consistently applied to both government and non-government activities. In addition, the system must be able to adequately identify whether the work performed is considered a direct or an indirect cost, consistent with the organization's established policies.
- If subawards are proposed, the organization must have adequate policies and practices that meet the requirements of 2 CFR §§ 200.331-333 ([Subrecipient Monitoring and Management](#)).

OCED may contact the organization to request a copy of any past accounting system audit or review. If an organization previously held Department of Defense contracts and received an accounting system audit by the Defense Contract Audit Agency (DCAA), they can respond to OCED's request with a copy of the DCAA audit, letter provided as a result of the audit, or the contact information for the DCAA point of contact for the audit. If a prior accounting system audit is not sufficient, OCED may require a new accounting system audit.

NOTE: Please do not initiate an accounting system audit absent a request from OCED. Additional information and instructions will be provided if further review, or an accounting system audit, is needed.