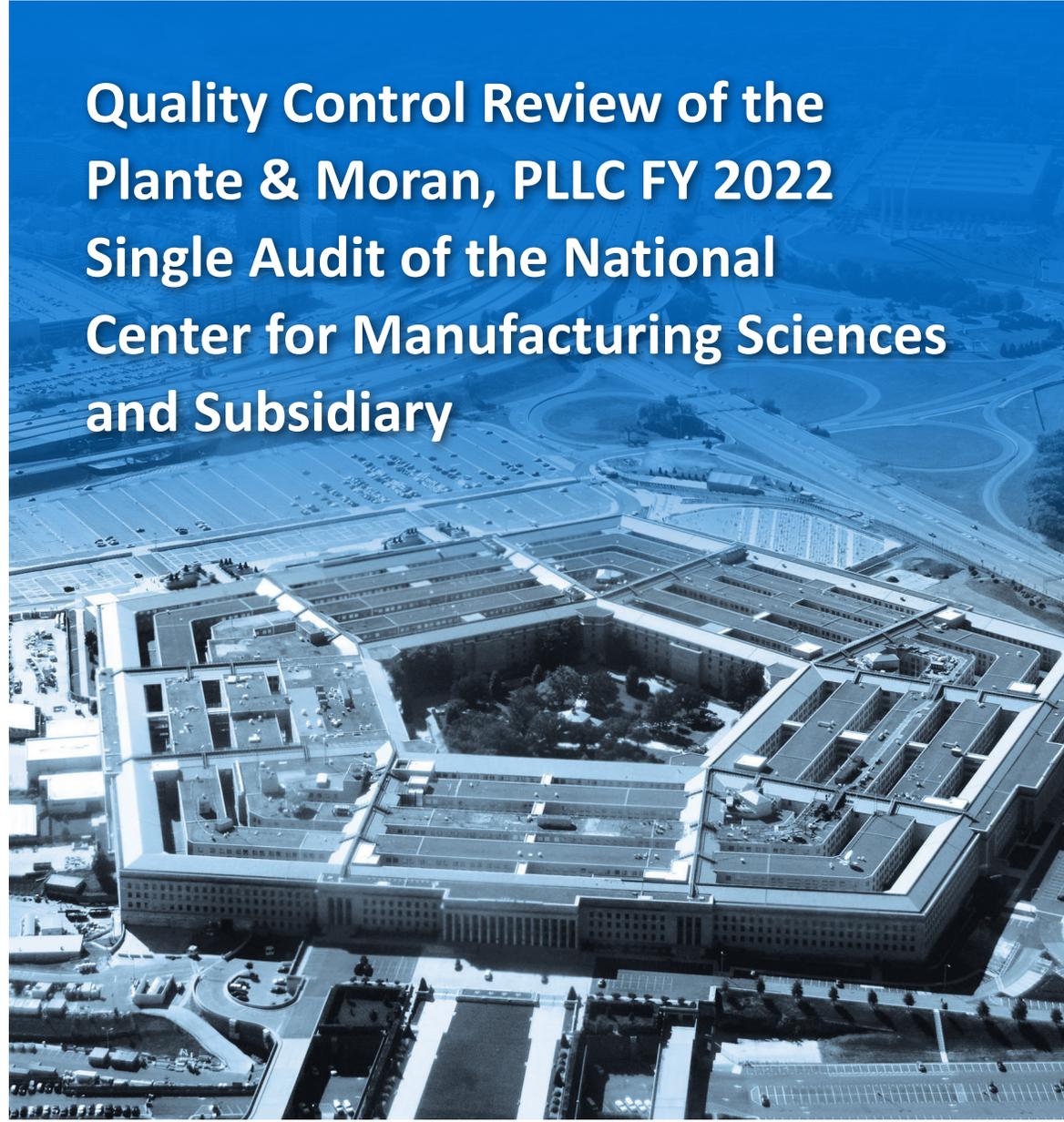




INSPECTOR GENERAL

U.S. Department of Defense

MARCH 21, 2024



Quality Control Review of the Plante & Moran, PLLC FY 2022 Single Audit of the National Center for Manufacturing Sciences and Subsidiary

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





Results in Brief

Quality Control Review of the Plante & Moran, PLLC FY 2022 Single Audit of the National Center for Manufacturing Sciences and Subsidiary

March 21, 2024

Objective

The objective of this quality control review was to determine whether Plante & Moran, PLLC performed the FY 2022 single audit of the National Center for Manufacturing Sciences and Subsidiary (the Center) in accordance with generally accepted government auditing standards and Federal requirements for single audits.

Background

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

The Center is a not-for-profit consortium organized to advance the state of manufacturing sciences, foster the development of manufacturing processing, and disseminate the results to its members and the general public. As a member-based organization, the Center leverages its

Background (cont'd)

network of industry, government, and academia partners to develop, demonstrate, and transition innovative technologies. In FY 2022, the Center spent \$299.5 million in Federal awards, including approximately \$299.2 million in DoD awards on the Research and Development Cluster. Plante & Moran, PLLC performed the Center's FY 2022 single audit.

Review Results

Plante & Moran, PLLC complied with generally accepted government auditing standards and Uniform Guidance requirements when it performed the FY 2022 single audit of the National Center for Manufacturing Sciences and Subsidiary.





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

March 21, 2024

Managing Partner
Plante & Moran, PLLC

SUBJECT: Quality Control Review of the Plante & Moran, PLLC FY 2022 Single Audit of the National Center for Manufacturing Sciences and Subsidiary (Report No. DODIG-2024-065)

This final report provides the results of the DoD Office of Inspector General's quality control review. We are providing this report for information and use. This report does not contain recommendations. We provided a discussion draft of this report to Plante & Moran, PLLC representatives. Plante & Moran, PLLC concurred with the discussion draft and provided no additional comments. Therefore, we are publishing this report in final form.

We appreciate the cooperation and assistance received during the quality control review. If you have any questions, please contact [REDACTED]

FOR THE INSPECTOR GENERAL:

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

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

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Introduction

Objective

The objective of this quality control review was to determine whether Plante & Moran, PLLC (Plante & Moran) performed the FY 2022 single audit of the National Center for Manufacturing Sciences and Subsidiary (the Center) in accordance with generally accepted government auditing standards (GAGAS) and Federal requirements for single audits.¹ Appendix A contains our scope and methodology. Appendix B lists the compliance requirements that the Plante & Moran auditors identified as direct and material to the Center’s major program for the fiscal year that ended on December 31, 2022.

Background

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

Non-Federal entities subject to the Single Audit Act and Uniform Guidance audit requirements must have an annual single or program-specific audit performed in accordance with GAGAS. Non-Federal entities must also submit a complete single audit reporting package to the Federal Audit Clearinghouse.³ A single audit includes an audit of the non-Federal entity’s financial statements and Federal awards. Auditors performing a single audit determine whether the financial statements are fairly presented in all material respects in accordance

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

² Office of Management and Budget, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” commonly referred to as the Uniform Guidance, implemented in 2 CFR part 200, January 2022.

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

with generally accepted accounting principles. In addition, the auditors perform procedures on the non-Federal entity's internal controls over Federal programs. Also, the auditors determine whether the non-Federal entity complied with Federal laws and regulations and the terms and conditions of Federal awards that may have a direct and material effect on its major programs. The Single Audit Act and Uniform Guidance require Federal agencies to assess the quality of single audits. Our quality control review of the Center's FY 2022 single audit satisfies this requirement.

The Center Is a Not-For-Profit Consortium Organized To Advance Manufacturing Sciences

The Center is a not-for-profit consortium organized to advance the state of manufacturing sciences, foster the development of manufacturing processing, and distribute the results to its members and the general public. As a member-based organization, the Center leverages its network of industry, government, and academia partners to develop, demonstrate, and transition innovative technologies. The Center's member companies collaborate with end users to develop innovative technology solutions to meet their requirements. In FY 2022, the Center spent \$299.5 million in Federal awards, including approximately \$299.2 million in DoD awards on one major program, the Research and Development Cluster.⁴

Plante & Moran Performed the Single Audit

Plante & Moran performed the FY 2022 single audit of the Center. Plante & Moran provides audit, tax, consulting, and wealth management services. As required by GAGAS, Plante & Moran is responsible for establishing and maintaining a system of quality control. The system of quality control must provide reasonable assurance that the audit organization and its staff comply with professional standards and legal and regulatory requirements.⁵ Plante & Moran must also obtain an external peer review of its system of quality control conducted by reviewers independent of the audit organization.⁶ The most recently published external peer review report concluded that Plante & Moran had suitably designed and complied with its system of quality control for its accounting and auditing practice.⁷ The Plante & Moran office located in Toledo, Ohio, performed the FY 2022 single audit of the Center.

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

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

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

⁷ Postlethwaite & Netterville, "Report of the Firm's System of Quality Control," December 22, 2022.

Review Results

We determined that Plante & Moran complied with GAGAS and Uniform Guidance requirements when it performed the FY 2022 single audit of the Center. We used the Council of the Inspectors General on Integrity and Efficiency (CIGIE) 2021 edition of the “Guide for Quality Control Reviews of Single Audits” (CIGIE Guide) to perform our review. The CIGIE Guide identifies audit procedures that auditors must perform and document during the single audit to meet GAGAS and Uniform Guidance requirements. We reviewed Plante & Moran audit documentation, analyzed the nature and extent of Plante & Moran’s audit procedures, and verified whether Plante & Moran obtained sufficient evidence to support its conclusions and audit report opinion. Specifically, we verified whether Plante & Moran complied with the requirements for each of the following aspects of the FY 2022 single audit of the Center.

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

Appendix A

Scope and Methodology

We conducted this quality control review from September 2023 through March 2024 in accordance with the “Quality Standards for Inspection and Evaluation,” published in December 2020 by CIGIE. Those standards require that we adequately plan the quality control review to ensure that objectives are met and that we perform the review to obtain sufficient, competent, and relevant evidence to support the findings, conclusions, and recommendations. We believe that the evidence we obtained is sufficient, competent, and relevant to lead a reasonable person to sustain the conclusions.

The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. The Federal Audit Clearinghouse received the Center’s FY 2022 single audit report on July 13, 2023. The single audit report identified the Research and Development Cluster as the one major Federal program at the Center. We reviewed the single audit of the Center using the CIGIE “Guide for Quality Control Reviews of Single Audits” (2021 edition). We focused our review on the following aspects of the single audit.

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

We conducted interviews with the Plante & Moran auditors assigned to the Toledo, Ohio, office who performed the FY 2022 single audit of the Center. We reviewed Plante & Moran audit files for the FY 2022 single audit to assess whether the auditors conducted the single audit in accordance with GAGAS and Uniform Guidance requirements. GAGAS incorporates the American Institute for Certified Public Accountants “Codification of Statements on Auditing Standards” by reference. Uniform Guidance requirements for single audits are identified in 2 CFR part 200.

Our review included:

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

In addition, our review of Plante & Moran audit documentation on direct and material compliance requirements included analyzing audit procedures that the auditors performed to: (1) understand the Center’s internal controls, (2) select samples for testing, and (3) test the internal controls and compliance with Federal requirements.

We held discussions with the Plante & Moran auditors to understand and verify the audit work they performed as part of the FY 2022 single audit of the Center. Appendix B lists the compliance requirements that the Plante & Moran auditors identified as direct and material to the Center’s major program for the fiscal year that ended on December 31, 2022.

Use of Computer-Processed Data

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

Prior Coverage

We have not conducted any prior reviews of Plante & Moran, PLLC or the National Center for Manufacturing Sciences and Subsidiary during the last 5 years.

Appendix B

Compliance Requirements

The Office of Management and Budget issues the Compliance Supplement, which provides guidance to assist auditors in determining compliance requirements applicable to the audit.⁸ The Compliance Supplement summarizes Federal requirements into 12 compliance requirements. For the Research and Development Cluster, the Compliance Supplement states that all compliance requirements are applicable, except for the Eligibility; Matching, Level of Effort, and Earmarking; Program Income; and Reporting compliance requirements. Auditors who perform a single audit are required to test those compliance requirements that are direct and material to the major program. The following table identifies the compliance requirements that the Plante & Moran auditors determined were direct and material to the major program.

Table. Uniform Guidance Compliance Requirements that the Plante & Moran Auditors Identified as Direct and Material to the Research and Development Cluster Program

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

Source: The DoD Office of Inspector General based on Plante & Moran's audit documentation.

⁸ 2 CFR part 200, Appendix XI, "Compliance Supplement," April 2022.

Acronyms and Abbreviations

- CFR** Code of Federal Regulations
- CIGIE** Council of the Inspectors General on Integrity and Efficiency
- GAGAS** generally accepted government auditing standards



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U.S. DEPARTMENT OF DEFENSE

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