

**THE EFFECT OF SINGLE AUDIT FINDINGS ON THE AUDITEE'S FEDERAL  
GRANT AWARDS**

by

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Of the Requirements for the Degree

Doctor of Philosophy

Capella University

July 2018

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## Abstract

The Single Audit Act (SAA) of 1984, as amended in 1996, encourages sound financial management by those who receive federal funds. Single audits are designed to help the federal government protect and safeguard federal funds by exercising proper oversight of non-federal entities' expenditures of federal grant monies. Consistent with the provisions of the SAA, auditors function as chief agents of federal control to enhance accountability between the federal government and the nonfederal recipients of federal grant awards. Auditors' reporting of single audit findings provides the opportunity to take actions that hold recipients of federal grant awards accountable for spending of federal funds. The study consisted of an examination of auditors' perceptions, based on lived experiences, of how the reporting of single audit findings affects non-federal entities' ability to receive federal grant awards subsequent to the issuance of single audit reports in accordance with the Office of Management and Budget's (OMB) Circular A-133 and Uniform Guidance. The researcher used qualitative research method and Moustakas' transcendental phenomenology research design to purposefully select a sample of 20 certified public accountants with at least 3 years of experience in single audits from the population of licensed certified public accountants who performed single audits in the state of New Mexico and were approved by the New Mexico State Auditor Office as independent public accountants for governmental entities in New Mexico. The researcher used the modified Van Kaam analysis method to analyze data collected in the interviews of research participants. This study sought to understand how auditors experience the effectiveness of the SAA as an accountability mechanism for the federal government to oversee expenditures of federal grant awards by non-federal grantees and found that federal grant making agencies do not affect consequences to non-compliant recipients of federal grant awards in response to reported single audit findings.

## Dedication

I have dedicated my dissertation to my late father, Ekofo Sokombe (Louis), who inspired me to pursue a PhD degree. My father showed incredible courage in his doctoral studies and achieved the status of PhD “ABD” before his untimely death on January 16, 2011 at the age of 66.

My dad was born on November 10, 1944 in the Democratic Republic of Congo and he was a loving husband as well as a father, grandfather, and friend to many. Against all odds, he achieved success in his faith, education, professional career, and family life.

He began his studies in a Catholic Mission of Bokote where he excelled in every subject. The Catholic nuns who taught him knew he had a great gift as in his native African language he was thought of as a genius. Because of his great mind he was on track to become a priest and sent to seminary. He later left the priesthood and attended the University of Kinshasa also known as Luvanium. From the European Union he received a scholarship to study in Parma, Italy. He spent five years in Italy before returning to his country and working for the government in many leadership capacities. In his career in government, he was able to travel around the world and contribute to the advancement of scientific research.

After several years he received another scholarship from USAID to come to the United States to work on his PhD in Economics at the University of New Mexico. After completing his Masters program in Economics and achieving a PhD "ABD" status, he returned to his country for two years and worked as the chief scientific researcher and university professor. He returned to New Mexico and worked as professor of Economics at Central New Mexico Community College (CNM) and was later able to bring five of his 15 children to the U.S to live. Truly a citizen of the world, he spoke several languages including Latin, Greek, French, Italian, English and many

African languages. He loved all his 15 children and all his grandchildren of different nationalities residing in Belgium, Democratic Republic of Congo, Spain, South Africa, and America dearly. He lived a sacrificial life for the benefit of his offspring. I am grateful for the privilege to honor his memory with this accomplishment of his lifelong goal of obtaining a PhD degree.

I love you, dad!

## Acknowledgments

I would like to acknowledge Dr. Kathleen Hargiss, my mentor and committee chair, for her patience, guidance, and more importantly, for her continuous encouragement and signature “cheers.” Thank you, Dr. Hargiss!

I would also like to thank my committee members, Dr. Linda Dell’Osso and Dr. Warren St. James for their feedback and quick turnaround for the review and approval of my dissertation.

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## CHAPTER 1. INTRODUCTION

This research explored auditors' perceptions of the federal government's oversight of expenditures of federal grant awards by nonfederal governmental and nonprofit grant recipients. Lack of effective oversight regarding expenditures of federal grant awards presents multiple damaging consequences and has become an issue of increasing concern and interest, both among taxpayers and policy-makers (Blair, 2015; Clark & Levy, 2012; Fadairo, Williams, & Maggio, 2015). Recent analyses by the U.S. Government Accountability Office (GAO) presented systematic evidence of increased risk for federal programs to be susceptible to fraud, waste, abuse, and mismanagement (Blair, 2015; Kettl, 2015). Single audits represent one strategy in a significant national effort to gain greater oversight and accountability over the use of federal monies by nonfederal governmental and nonprofit entities (Salkin & Kansler, 2014).

One objective of the Single Audit Act (SAA) of 1984, as amended in 1996, is to encourage sound financial management by those who have received federal funds (Single audits, 2007). Single audits are designed to help the federal government protect and safeguard federal funds by exercising proper oversight, on behalf of American taxpayers, of non-federal entities' expenditures of federal grant monies (Single audits, 2007). Consistent with the provisions of the Single Audit Act, auditors collectively function as the chief agent of federal control with the goal of enhancing the accountability relationship between the federal government and the nonfederal recipients of federal grant awards (OMB, 2013).

The concept of accountability refers to a technical arrangement of rules and consequences (Heidelberg, 2017). Murphy, Eckersley, and Ferry (2017) suggested that accountability is associated with a higher authority calling an individual or organization to account for its actions and having the power to levy sanctions for misdemeanors or malpractice. Auditors' reporting of

single audit findings provides the federal government with the opportunity to take actions that hold the recipients of federal grant awards accountable for the spending of federal funds. Accordingly, this study consisted of an examination of auditors' perceptions, based on lived experiences, regarding how the reporting of single audit findings affects non-federal entities' ability to receive federal grant awards subsequent to the issuance of single audit reports in accordance with the Office of Management and Budget's (OMB) Circular A-133 and Uniform Guidance.

This introductory chapter provides the background of the study, a discussion addressing the need for the study, and the purpose and significance of the study. Additionally, the researcher describes the research design and presents the research questions, the assumptions, and limitations of the study. Finally, the researcher offers the definitions of terms used in the study.

### **Background of the Study**

Recipients of federal grant awards are required by law, regulations, and agreements to account for all assets received, ensure that expenditures are reasonable and necessary for the purposes awarded, and comply with applicable compliance requirements (Monaghan, 2007). Independent public accountants and state/local auditors perform audits of grantees' grant expenditures in accordance with the single audit process outlined in U.S. OMB Circular A-133 (2009). These audits assist the federal government in gaining assurance that recipients and pass-through recipients of federal assistance are responsible stewards of federal funds (Kull, 2010). Therefore, the federal government, in accordance with the provisions of the single audit act, is expected to take action against any grantee whose single audit discloses findings. A problem arises when grantees perceive that there is no adverse consequence resulting from the auditors' report of single audit findings. In other words, this suggests that the federal government does not

exercise its oversight over the tax payers' funds that are expended in the form of grants to non-compliant grant recipients.

The researcher in this study is an experienced auditor and performed several single audits during her tenure as staff auditor, senior auditor, and audit supervisor in various CPA firms in the state of New Mexico. In addition, the researcher was employed as the accounting manager for a local governmental entity and oversaw the single audit process for this local governmental entity. Currently, the researcher is employed as the accountant for a nonprofit organization and serves as the main liaison with the organization's auditor.

The researcher's interest in the present study emanated from the accounting profession's reaction to the National Single Audit Sampling Project report that was published by the Audit Committee of the President's Council on Integrity and Efficiencies (PCIE) in June 2007. According to this report, significant percentages of reviewed single audits were unacceptable and of limited reliability (PCIE, 2007, p. 30). The report recommended that the OMB work with the American Institute of Certified Public Accountants (AICPA), State Boards of Accountancy, and other third parties to identify and implement ways to improve the quality of single audits and address audit deficiencies resulting from auditors' lack of due professional care (2007, p. 4; Monaghan, 2007, p. 27). In its reaction to this report, the AICPA, in conjunction with various providers of continuing professional education for certified public accountants, embarked on an initiative to sensitize public accountants to the importance of quality single audits.

While participating in some of the continuing professional education conferences, the researcher began to wonder why suddenly the federal government seemed to be concerned with the quality of single audit reporting. She reflected on her experience as both an auditor and an auditee and recalled her observations that, year after year, there seemed to be no reaction on the

part of the federal government with regards to findings reported in connection with federal programs she audited or those audited as part of the annual audit of non-federal entities where she was employed as private accountant. For instance, she was aware through various informal conversations with her fellow accountants both in public accounting and in industry that many single audit reports were simply collecting dust on bookshelves in various offices of the federal government. She started to realize that many auditors were of the opinion that single audit reports did not matter much and seemed frustrated with the volume of work required to properly conduct a single audit and the decreasing profitability of audits due to additional costs resulting from the required extra work for single audits.

It seemed as though single audits presented a lose-lose situation for both the auditor and the auditee in terms of cost and effort. As Keating, Fischer, Gordon, and Greenlee (2005) observed,

since an A-133 audit demands skills beyond those necessary for a standard CPA audit, auditors are required to obtain specialized training and expertise and, overall, A-133 audits are a highly rigorous form of oversight, which is expensive and challenging for both the auditor and the auditee. (p. 286)

In the researcher's experience, audit time budget always increased when a single audit was to be performed in addition to the regular financial audit. Similarly, there was substantial increase in the volume of auditors' requests for information from the auditee's staff. Auditee staff would spend countless hours searching for and preparing documents to serve as evidence for auditors' examination while auditors invested a significant amount of time reviewing the client-provided documents. These past observations inspired the researcher to investigate whether single audit reports were relevant and useful in the federal government's decision-making process regarding the award of federal grants to applicants whose previous single audit reports disclose findings.



### **Need for the Study**

As Brannan (1993) and Kettl (2015) pointed out, how to ensure that the federal monies being expended by non-federal grantees are being used for the purposes intended constitutes a significant problem for the Congress of the United States and federal officials—a management dilemma in that the federal government relies on audits to promote accountability and compliance between grantor and grantee (Brown & Burnaby, 1988; Fadairo, Williams, & Maggio, 2015). For this reason, the purpose of this qualitative phenomenological study was to explore the issues relating to single audit findings. Specifically, this research centered on auditors' perceptions and experiences of reporting single audit findings and the relationship with auditees' future grant awards.

### **Purpose of the Study**

The purpose of this qualitative phenomenological study was to understand, from the auditors' perspectives, how auditors' reporting of single audit findings affects non-federal entities' ability to receive federal grant awards subsequent to auditors' issuance of single audit reports in accordance with the OMB Circular A-133. As Kull (2010) explained, a federal agency reviews the auditor's findings and determines whether the audited grantee loses their eligibility to receive federal grant awards in the future. In this transcendental phenomenological study, the researcher gathered and analyzed information from 20 auditors purposively selected from the New Mexico State Auditor's listing of approved independent public accountants.

### **Significance of the Study**

The significance of the study and its potential contributions rests in terms of raising the awareness of federal grantor agencies and of non-federal grant recipients regarding the need to seriously consider the results of A-133 audits in the decision to award or deny and accept or

reject federal grants. In fact, as some researchers pointed out, one of the major objectives of the SAA of 1984 was to improve the financial management of state and local governments with respect to federal financial assistance programs through improved auditing (Blair, 2015; Jakubowski, 1995; Kettl, 2015). The increased awareness of the value of Circular A-133 audits is necessary as it contributes to providing the US Congress and tax payers with assurance regarding the stewardship and proper expenditure of taxpayers' funds. In addition, it can assist the federal government in demonstrating that it holds recipients of federal grants accountable for the management of federal funds. Moreover, the study may provide auditors with justification for increased audit fees in connection with A-133 audits. For instance, Brown and Raghunandan (1997) believed that the increased cost is justified by the benefits from improving the existing audit quality of governmental programs (p. 72).

### **Research Question**

Adams and van Manen (2017) maintained that phenomenology expresses a concern with experience as lived and instruct researchers to articulate research questions that point to a recognizable experience. Similarly, Moerer-Urdahl and Creswell (2004) insisted that phenomenologists implement Moustakas' recommendation (1994) and asked the two questions of "what" and "how" a phenomenon is experienced. Accordingly, the central research question for the study was: *How do auditors experience the effectiveness of the Single Audit Act as an accountability mechanism for the federal government to oversee expenditures of federal grant awards by non-federal grantees?*

In addition, based on Moustakas' (1994) recommended questions of "what" and "how," the study also investigated the following two sub-questions.

1. What were the auditors' experiences with the consequence of reporting single audit findings?
2. In what context or situations did the auditors experience the consequence of reporting single audit findings?

### **Definition of Terms**

This study examined the consequence of reporting single audit findings in terms of economic consequences, which according to Zeff (1978), as cited by Brüggemann, Hitz, and Sellhorn (2013), denote the impact of accounting reports on the decision-making behavior of business, government, unions, investors, and creditors. The study focused on auditors' perception of these economic consequences as changes in the federal government's decision-making process for the award or denial of additional federal grants to non-federal entities' whose single audits resulted in the reporting of single audit findings.

In this study, the researcher identified and observed auditors' perceived consequences of reporting single audit findings based on the six types of consequences outlined in Rogers' (1995) consequence model for studying the consequences associated with an innovation. The six types of consequences consist of direct, indirect, desirable, undesirable, anticipated, and unanticipated consequences. During the interviews, the selected auditors were asked the following questions as adapted from the studies conducted by Juergens (2012) and Foley (2009).

1. What do you perceive as the direct consequences of reporting single audit findings?  
In other words, what are the changes you perceive, both positive and negative, that have occurred as direct or immediate results of your reporting findings in connection with your single audits for nonfederal recipients of federal awards?

2. What do you perceive as the indirect consequences of single audit findings as reported? In other words, what are the changes you perceive, both positive and negative, that have occurred indirectly—as the results of other, more direct or immediate consequences?
3. What do you perceive as the desirable consequences of reporting single audit findings? In other words, what are the positive or helpful changes you perceive as resulting from your reporting of single audit findings?
4. What do you perceive as the undesirable consequences of reporting single audit findings? In other words, what are the positive or helpful changes you perceive as resulting from your reporting of single audit findings?
5. What do you perceive as the anticipated consequences of reporting single audit findings? In other words, what changes do you perceive have occurred that were intended and expected by the federal grantors who required a single audit for the nonfederal recipients of federal grant awards?
6. What do you perceive as the unanticipated consequences of reporting single audit findings? In other words, what changes do you perceive have occurred that were not intended and expected by the federal grantors who required a single audit for the nonfederal recipients of federal grant awards?
7. Is there anything else that you would like to tell me about this issue—any changes that have occurred as a result of reporting single audit findings?

### **Research Design**

The selected research design for this study was phenomenology. According to Bawa and Watson (2017), phenomenology is a research design used in qualitative research that requires the

researcher to gather, understand, and represent data on participants' perceptions and meanings of a phenomenon based on how each participant describes it, feels about it, judges it, remembers it, and discusses it with others. In seeking to understand, from an auditor's perspective, the meaning of auditors' lived experiences of reporting single audit findings, the researcher utilized the strategy of inquiry that is consistent with Moustakas' transcendental phenomenology (1994).

### **Assumptions and Limitations**

#### **Assumptions**

The key assumption underlying this project comes from the audit requirements established by the US OMB. As prescribed in OMB Circular A-133, entities that receive federal grant assistance and spend at least \$500,000 of the grant awards are required to undergo a single audit on an annual basis (OMB, 2009). The OMB also requires nonfederal grant award recipients to submit a single audit reporting package to the Federal Clearinghouse within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit (OMB, 2009). Accordingly, the key assumption for this study was that every non-federal entity that receives federal grant awards complies with the requirement for its expenditures of the federal grant awards to be audited on annual basis in accordance with OMB Circular A-133 and that its auditors submit the single audit reports to the Federal Audit Clearinghouse on a timely basis.

**General methodological assumptions.** As Moerer-Urdahl and Creswell (2004) pointed out, the fact that transcendental phenomenology relies on individual experiences means that the stories to be told will be told from the participants' voices and not those of the researcher or from individuals reporting studies in the literature, an approach consistent with human science

research. In this line of thought, the assumption for this study was that research participants' stories were truthful in representing auditors' realities with regards to the reporting of single audit findings. This phenomenological qualitative study emphasized discovery and description rather than speculation or causal explanations (Padilla, 2003).

**Theoretical assumptions.** The theoretical assumptions for this study emanated from the use of the agency theory in examining the audit model. According to Tillema and Ter Bogt (2016), the audit model aims to provide a monitoring device that can help the higher layers to curb opportunistic behavior by the lower layers. Consistent with the provisions of the SAA, the auditor takes the role of the chief agent of federal control with the goal of enhancing the accountability relationship between the federal government and the nonfederal recipients of federal grant awards. In this role, the auditor becomes part of the audit body that is supposed to verify the behavior of the lower layers comprised of federal grant recipients and to assess whether the formal agreements between the federal government and the grant recipients have been met (Tillema & Ter Bogt, 2016).

**Topic-specific assumptions.** The topic of reporting single audit findings represents one element of the requirements outlined in the SAA of 1984 as amended in 1996 and in the OMB Circular A-133. Studies on the effectiveness of the SAA established several assumptions, which included the assumption that federal awarding agencies issue a management decision on audit findings within six months after receipt of the audit report to ensure that the recipients take appropriate and timely corrective action (OMB, 2009). Furthermore, the researcher in this study assumed that the capturing and analysis of information obtained through in-depth interviews of auditors who perform single audits yielded data that would assist stakeholders in the federal government's spending understand the meaning of auditors' experiences in reporting single

audits findings and the auditors' perception of the federal government's ability to exercise proper oversight over tax payers' funds that are expended in the form of grants to non-compliant grant recipients.

Another assumption was that single audits required significant amounts of effort and resources from the auditor and created an environment full of pressure for the auditor (Leicht & Fennell, 1997). Additionally, a significant amount of pressure on the auditors comes from the strict provisions of the SAA and the rules from the executive branch of the federal government that reinforce the importance of the technical qualities and fiduciary responsibilities of the accountants (Lander, Koene, & Linssen, 2013).

### **Limitations**

One of the limitations identified in this study was that, due to the study being conducted using non-federal grantees in only one state, the state of New Mexico, the results would only be generalized to the State of New Mexico during the time this study covered (Holland, 2007). Another limitation of the study referred to the possibility that the results of the study could be influenced by the views of the individuals who accepted the invitation to be interviewed (Holland, 2007).

**Design flaw limitations.** As previously indicated, the quantitative research method dominated studies in accounting. This research was the first to investigate an accounting topic of the effect of single audit findings on grantees' future grant awards from the perspective of auditors using Moustakas' transcendental phenomenology qualitative research method. In fact, design flaw limitations to this study were attributable to the use of a qualitative research method in the investigation of an accounting topic.

## **Delimitations**

The Federal government provides financial assistance and awards to non-federal entities in various forms. Thornton (2014) explained that the US Census Bureau maintains the Federal Assistance Award Data System (FAADS), the repository of financial assistance and awards, including transfer payments to individuals, discretionary project grants, loans, and insurance for more than 600 Federal Assistance programs (p. 180). According to Thornton (2014), data presented in FAADS are categorized by numbers from the Catalog of Federal Domestic Assistance (CFDA). The CFDA provides a full listing of all Federal programs available to state and local governments, federally-recognized Indian tribal governments, territories and possessions of the United States, domestic public, quasi- public, and private profit and nonprofit organizations and institutions, specialized groups, and individuals (US GSA, 2017). Furthermore, the CFDA classifies all its programs into 15 categories, which are further grouped into four types of awards in the FAADS consisting of (a) contracts, (b) grants, (c) loans, and (d) other financial assistance (U.S. Bureau of the Census, 2017). The scope of this study was limited to federal grants awarded to and expended by state and local governments, Indian tribes, and non-profit organizations. Furthermore, this research focused only on single audits of the expenditures of federal grant award amounts of \$500,000 or more in accordance with the requirements of OMB Circular A-133 (OMB, 2009) and the newly issued OMB Uniform Guidance (OMB, 2013).

### **Organization of the Remainder of the Study**

The remainder of this dissertation is organized as follows. Chapter 2 provides information about the requirements of the SAA, the single audit process, and a review of



empirical research on A-133 audits. The sample and methodology are presented in Chapter 3. Results and discussion of findings conclude the paper in Chapters 4 and 5, respectively.

## CHAPTER 2. LITERATURE REVIEW

### Introduction

Consistent with Capella University's (2017) Qualitative Dissertation Chapter Guides, this chapter contains reviews of the research and scholarly literature on the topic of single audits that are required by the SAA of 1984 as amended in 1996 for nonfederal entities that receive and expend federal grant awards. The purpose of this literature review is to provide information on what is known about the consequences of reporting single audit findings both in terms of research findings and theory (Capella University, 2017). This chapter consists of the following five sections: (a) the methods or procedures used to search for sources; (b) the theoretical framework(s) or orientations used for the study; (c) the actual review of the research literature; (d) a synthesis of the findings presented in the review; and (e) a critique of the research methods and procedures used in the sources in the literature review (Capella University, 2017).

### Methods of Searching

In this section the sources used for the literature review are described (Capella University, 2017). The researcher used several databases and search terms to find articles, books, dissertations, and other reports on the topic of single audits and on the topics of accounting research, quantitative research method and, qualitative research method. The databases that the researcher used to search for sources for the literature review on the study included Academic Search Premier, Business Source Complete, Dissertations @ Capella, Dissertations and Theses Global, eBooks on EBSCOhost, ebrary, ERIC, Gale Virtual Reference Library, SAGE Journals Online, SAGE Research Methods, ScienceDirect, Worldcat, and Thomson Reuters Checkpoint. In addition, the researcher utilized several search tools and search engines including Summon, Google Scholar, RefWorks and Capella University's Journal, or book locator.

The researcher's search terms included key words such as *single audit act*, *single audits*, *accounting research*, *academic research in accounting*, *federal grants*, *government accounting*, *accounting and auditing*, *Moustakas*, and *transcendental phenomenology*. The researcher reviewed the preliminary search results and selected relevant documents. A review of these documents guided the researcher's efforts to conduct refined searches, which included limitations to certain types of publications (Capella University, 2017) and limitations to scholarly articles published in peer-reviewed journals within a specified date range.

Other search procedures for this study's literature review consisted of bibliography mining of reference lists (Becker, 2015) and cited reference searching (Linder, Kamath, Pratt, Saraykar, & Volk, 2015) to find additional sources. As Bradshaw, Shaw, Bem, and Cummins (2017) indicated, the researcher used reference lists mining to identify any further eligible studies. Similarly, the researcher performed cited reference searches by first identifying original articles and then searching for newer articles that cite those original articles (Linder et al., 2015) in order to be as inclusive as possible (Yu & Farahani, 2015).

### **Theoretical Orientation for the Study**

In this study the researcher explored auditors' experiences in reporting single audit findings from a principal-agent theoretical perspective. The reporting of single audit findings provides the federal government and the general public with the information necessary to ascertain accountability over the expenditure of public funds (GAO, 2011). Single audit constitutes a control mechanism in an arrangement where political responsibilities over the expenditure of public funds collected as taxes are divided among executive and legislative powers under the indirect supervision of the peoples through legislators and through specific bodies for auxiliary control (Pires & Guimaraes, 2015).

It is important to note that the evaluation of public accountability requires a specification of who is or supposed to be accountable to whom (Gailmard, 2012). In this line of thought, whenever one individual depends on the action of another, an agency relationship arises (Davies & Johnson, 2016). According to Schillemans and Busuioc (2015), principal-agent theory has been the prime theoretical device used in accountability studies. The single audit process represents an accountability system that has become more multifaceted and complex over time, confronting principals and agents with overlapping and conflicting accountability demands (Schillemans & Busuioc, 2015).

The agency relationship in the single audit process comprises various levels and stages, each involving specific agency relationships in order to solve particular problems in the process for deciding and implementing public expenditures and policies (Pires & Guimaraes, 2015). Consistent with Pires and Guimaraes' (2015) mapping of the fundamental principal-agent relationships involved in the budget process, the researcher identified four levels of agency relationships within the single audit process. The first agency relationship is that of taxpayers as principals who elect political agents in the executive and legislative branches of government and delegate to the elected politicians the responsibility of managing collected taxes to accomplish taxpayers' objectives. As Kasdin and Iorio (2017) pointed out, each member of Congress and the Senate works as an agent who looks for opportunities to enhance his or her ability to be reelected by designing programs and spending to ensure the distribution of benefits to voters who are the principals for this first level of agency relationship. The second agency relationship presents the elected executive and legislative branch officials as principals in the allocation of federal resources to the various federal agencies under the control and monitoring of the legislative branch (Schillemans & Busuioc, 2015). In fact, while Congress creates federal programs, it is the

responsibility of federal agencies to carry out those programs (Kasdin & Iorio, 2017). Third, the federal agencies take the role of principals when awarding grants to non-federal agencies charged with the task to accomplish, as agents, the objectives set by the executive branch to meet the needs of taxpayers. In the fourth agency relationship, auditors considered an auxiliary mechanism of control, operate as agents of the federal granting agencies for the purpose of verifying non-federal grant recipients' compliance with the grantor agencies' requirements for the expenditure of federal grant awards. This study focused on two of the identified four levels of the principal-agent relationship chain; first, the federal grantor agencies' relationship with the non-federal grant recipients and second, the relationship between the federal granting agencies and the auditors.

With regards to the principal-agent relationship between federal granting agencies and the non-federal grant recipients, this study referred to other scholars' suggestions that principals are expected to actually want to hold agents accountable by enforcing compliance with stipulated preferences, goals, norms and regulations (Schillemans & Busuioc, 2015). Concerning the agency relationship between federal granting agencies and auditors, this study underscored Smith's (2010) inquiry regarding how a legislature, after delegating authority to an agency to implement a program, ensures that the agency does what the legislature wants. This research study drew from Schillemans and Busuioc's (2015) description of drifting principals. Consistent with researchers' observations on drifting principals, the federal granting agencies in this study seemed to mysteriously choose not to hold non-federal grant recipients accountable, disregard apparent wrongdoings, and were sometimes surprisingly uninterested in what both the auditors and the non-compliant grant recipients actually do (Schillemans & Busuioc, 2015).

## Review of the Literature

### Agency Theory

Consistent with Tillema and Ter Bogt (2016), the study drew from the agency theory in examining the audit model, which, according to Tillema and Ter Bogt (2016), aims at providing a monitoring device that can help the higher layers (i.e., the elected body, and indirectly the citizens it represents) to curb opportunistic behavior by the lower layers (i.e., the executive, and indirectly the operating units). In fact, as discussed in preceding sections, the SAA assigns to the auditor the role of the chief agent of federal control. Consequently, auditors, as the audit body that is supposed to verify the behavior of the lower layers and to assess whether the formal agreements have been met, have the primary goal of enhancing the accountability relationship between the executive and the elected body (Tillema & Ter Bogt, 2016, p. 138). Furthermore, the auditor's independence from both the elected body and the executive is critical for the conduct of impartial investigations, and this independence positions the auditor as an agent of the federal government—the principal.

Jensen and Meckling (1976) defined an agency relationship as a contract under which one or more persons (the principal[s]) engage another person (the agent) to perform a service that involves delegating some decision-making authority to the agent (p. 308). In the case of single audit, the auditor is engaged by a nonfederal entity recipient of federal grant awards pursuant to requirements of the SAA. It is important to note that while the audit contract is between the nonfederal entity and the auditor, the latter is required to report the results of the single audit to the federal government through the Federal Audit Clearinghouse in accordance with his or her assigned role by the federal government as the chief agent of federal control. Because this principal-agent relationship between the auditor and the federal government involves delegating

some decision-making authority to the auditor, diverging interests create problems in this relationship. Such problems are evident in the continued criticism of single audit quality by the federal government.

### **Single Audits**

The performance of single audits traces its origins in various federal auditing requirements that the GAO and the OMB established to assist the federal government in maintaining financial and legal control on how state and local governments use federal grant monies (Giroux & McLelland, 2003). Federal regulation increased external audit requirements by adding the requirement to report on internal control and compliance with federal laws and regulations (McLelland & Giroux, 2000, p. 264). In addition, as McLelland and Giroux (2000) pointed out, the Government Accounting Standards Board (GASB) was established in 1984 to promulgate state and local governmental accounting standards and has issued a number of statements as well as interpretations and technical bulletins. These governmental auditing standards and requirements for non-federal recipients of federal grant awards were subsequently formalized when Congress passed and amended the SAA in 1984 (Giroux & McLelland, 2003) and in 1996 respectively and when the OMB issued its Circular A-133.

As one of the key stakeholder groups for local governments and nonprofit organizations, the federal government relies on the SAA to simplify financial auditing and reporting among recipients of federal grant dollars (Carroll & Marlowe, 2009). The federal government requires each federal grant recipient to comply with the SAA if the recipient entity expends more than \$500,000 of federal funds on the entity's programs or grants during one fiscal year (Carslaw, Mason, & Mills, 2007). The SAA achieved the streamlining of financial auditing and reporting in that it eliminated the need for non-federal entities to be subjected to multiple audits to satisfy

the requirements of different federal granting agencies. In fact, as Carslaw et al. (2007) pointed out, before Congress passed the SAA, each federal awarding agency was responsible for the audit of its own awards. This, according to Carslaw et al. (2007), created a lack of coordination in the grant audit processes by the federal agencies and resulted in audit overlaps, inflated audit costs, and undue administrative burden on federal grant recipients. Consequently, the adoption of the SAA of 1984 was to improve audit efficiency and reduce audit costs through uniform audit requirements that eliminated the need for multiple audits (Keating, Fischer, Gordon, & Greenlee, 2005).

In line with the federal government's goal to streamline financial auditing and reporting, OMB Circular A-133 identifies the single audit reporting packet as the deliverable for single audits and requires each auditee to submit his single audit reporting packets by the due date to the Federal Audit Clearinghouse (FAC). The FAC operates on behalf of the OMB to coordinate the collection of audit information from federal grant recipients and to disseminate the results to federal agencies and the public (Carslaw et al., 2007). As Carslaw et al. (2007) indicated, the single audit reporting packet includes the audited financial statements, a schedule of expenditures of federal awards, four audit report components, the auditee's corrective action plans, a summary schedule of prior audit findings, and a data collection form summarizing the results of the audit. The four audit report components consist of (a) an auditor's opinion on the fair presentation of the financial statements and schedule of expenditures of federal awards, (b) an auditor's report on any findings relating to deficiencies in internal control and compliance pertaining to financial reporting noted as a consequence of the audit, (c) an auditor's report on internal control findings and an opinion on compliance pertaining to major programs, and (d) an auditor's schedule of findings and questioned costs (Carslaw et al., 2007). It is important to note



that the findings reported in the schedule of findings and questioned costs relate to fourteen compliance requirements outlined in OMB Circular A-133 compliance supplement. This compliance supplement draws from the requirements of the 1996 amendments and 1997 revisions to OMB Circular A-133 as well as from the provisions of the SAA granting authority to OMB for the issuance of a compliance supplement to assist auditors in performing the required audits (OMB, 2009).

Reporting is one of the 14 compliance requirements included in OMB Circular A-133 compliance supplement. To test compliance with the reporting requirement, auditors are expected to determine whether the financial reports are complete and accurate, were prepared in accordance with generally accepted accounting standards, and were submitted timely to the grantor (OMB, 2009). It follows that timeliness is an important characteristic of governmental financial reporting (Payne & Jensen, 2002) and that an auditee's inability to submit its single audit reporting packet to the FAC by the due date constitutes a non-compliance with the reporting requirement. For this reason, several studies (e.g., Giroux & McLelland, 2003; Johnson et al., 2003; Lowensohn, Johnson, Elder, & Davies, 2007; McLelland & Giroux, 2000; Payne & Jensen, 2002) examined the factors that affect the timeliness of external audit-reporting for municipalities (McLelland & Giroux, 2000).

As Thomas (2008) affirmed, research related to the audits of government and nonprofit organizations is sparse (p. 406). The vast majority of such research on audits performed pursuant to the SAA are quantitative studies and, according to Keating et al. (2005), focus on four areas: impact on auditee compliance, quality of the audit work, auditor selection, and frequency of adverse findings. Furthermore, consistent with Hunter's (1942) observations, a review of extant

literature revealed that no inquiry of single audits seems to have been reported upon from the perspective of the professional auditor.

### **Quantitative Accounting Research**

The dominance of the quantitative research methodology in single audit studies reflects the trend in accounting research, which encompasses many areas including, but not limited to, financial reporting, management accounting, governmental accounting, taxation, and auditing. Within the auditing category there are subcategories such as audits of public companies, audits of for-profit entities, and audits of states, local governments, and nonprofit organizations. As stated in the preceding section, this study focused on audits of nonfederal entities who receive assistance from the federal government. In fact, according to Giroux and McLelland (2003), the federal government awards tens of billions of dollars of inter-governmental grants to local governments every year and struggles to maintain financial and legal control on how these monies are used. The recipients of federal grant awards, local governments, and nonprofit organizations are required to undergo a single audit in accordance with the SAA of 1984, as amended in 1996, and the OMB Circular A-133.

As previously stated, the quantitative research methodology dominates accounting research, which includes studies on the effectiveness of audits performed pursuant to the SAA. In fact, recent studies (Goddard, 2010; Brown, Jones, & Steele, 2007; Reiter & Williams, 2002; Teemu, 2010) suggested that the positivistic view of the world dominates research in accounting. Researchers believe that the principal methodological approach in accounting research lies within the functionalist paradigm adopting a positivistic methodology, which is informed by neoclassical economics and based on quantitative research methods (Goddard, 2010). Before discussing the quantitative approaches in accounting research, it is useful to first explore the

influence of neoclassical economics on accounting research and the positivistic nature of accounting research.

### **Neoclassical Economics and Positivistic Accounting Research**

According to Goddard (2010), functionalist research is distinguished by its objectivist, regulatory stance and includes papers informed by economic theories and objectivist organizational theories. In fact, Suzuki (2003) maintained that the influences of economics on accounting are well known by accountants; thus, accounting research reflects methodologies developed by positivist economists which emphasize the importance of empirical tests by statistical data. Similarly, recent studies on the development of accounting standards demonstrated the influence of neoclassical economic theories on the accounting theoretical framework (Williams & Ravenscroft, 2015; Young, 2014).

Positive theories seek to describe a real-world situation in its natural state; consequently, research based on positive theories involves empirical observations of the relevant phenomena that are the source of the problem (Inanga & Schneider, 2005). As Suzuki (2003) pointed out, among many other modes of economic description, accounting is distinctively regarded as an official mode of economic data that is commonly observable in a wide range of entities, such as firms, industries, governments and nations (p. 69). Information contained in the single audit packet previously discussed is an example of economic data for governments and non-profit organizations and is subject to empirical governmental accounting research.

Empirical governmental research became important in accounting research in the early 1980s (Giroux & McLelland, 2003). Since then, the majority of research in governmental accounting use quantitative research methods. Based upon the review of literature, this study discusses three quantitative research methods commonly used in accounting research taking into

account the different stages of research that consist of the data collection phase, the analysis phase, and the phase during which the results are interpreted. The selection of research methods discussed focuses on the data collection phase and the analysis phase of the reviewed research.

A review of recent studies (Giroux & McLelland, 2003; Johnson et al., 2003; Lowensohn et al., 2007; McLelland & Giroux, 2000; Payne & Jensen, 2002) suggested that many accounting researchers use survey instruments to collect data and descriptive statistics and ordinary least squares (OLS) models to analyze collected data. Thus, this paper examines survey methods for the data collection phase and descriptive statistics and OLS regression methods for the analysis phase of the reviewed studies.

There are many ways to gather research data. For example, Cychota and Harrison (2002) offered that personal interviews or other qualitative methods are a rich source of information but these methods are expensive in terms of researcher time and travel. Furthermore, Cychota and Harrison contended that studies applying data collection methods other than surveys rarely include a large enough sample size to establish high levels of statistical power that is needed to detect relationships. It is generally accepted that surveys can provide more extensive or directed information, are typically less expensive, and can reach a much larger sample (Cychota & Harrison, 2002). It follows that researchers have several different options to choose from when conducting a survey, from the traditional paper-and-pencil surveys to technically sophisticated web surveys with automatic question branching (Porter, 2004). For instance, a researcher can put survey questions on dedicated web sites offering free services to collect data from potentially thousands of people (Couper, 2000). This type of survey gives researchers access to a large number of respondents at significantly lower costs than traditional methods (Couper, 2000).

Arguably, web surveys appear to have the greatest benefits and lowest costs of the currently available alternative data collection methods (Porter, 2004).

Several governmental accounting researchers use the survey method to collect and evaluate data in connection with audits performed in accordance with the SAA and OMB Circular A-133 (Carroll & Marlowe, 2009; Carslaw et al., 2007; Giroux & McLelland, 2003; Keating et al., 2005; McLelland & Giroux, 2000). These researchers utilized survey instruments such as the data collection form from the FAC to obtain pertinent data for studies on single audits and the related audit findings. Data collection forms summarized the results of each audit and are included in the single audit reporting package that the federal government requires grant recipients such as municipal governments to submit to the FAC within 30 days of receipt of the auditor's reports and no later than nine months after the end of the fiscal year (Carslaw et al., 2007).

An example of the use of survey method in governmental accounting research is the work of Carroll and Marlowe (2009), who used a survey instrument developed by the Illinois comptroller's local government division to collect a series of financial data from all units of government in accordance with the Governmental Account Audit Act (GAAA) of Illinois. The study sought to identify which stakeholders were associated with the accounting policies of municipal governments. The study found the survey instrument valuable in that it was formatted very similarly to a comprehensive annual financial report (CAFR) and requires municipalities to report revenue, expenditure, asset, liability, and fund balance activity for individual funds (Carroll & Marlowe, 2009).

Keating et al. (2005) obtained the data for the investigation of single audit compliance from audit information available in the FAC database. The researchers reviewed data collection

forms that function as surveys to collect audit information such as the auditee, auditor, cognizant or oversight federal agency, total awards amount, and audit findings. The examination of these data collection forms revealed that overall compliance with federal regulations appears to be high (Keating et al., 2005).

With regard to quantitative methods that researchers commonly use in the analysis phase of studies in governmental accounting, the review of literature revealed that the vast majority of accounting research use descriptive statistics and OLS regression methods. It is important to note that descriptive studies, as a form of empirical research, are designed to discover characteristics of a given population, not to test theory (Van der Stede, Young, & Chen, 2005). Giroux and McLelland (2003) used empirical testing based first on descriptive and univariate analysis of key accounting, auditing, and financial factors of large cities (over 100,000 in population) in the US. The two researchers utilized multivariate models using OLS and logistic regression to statistically compare two governance structures. According to Lowensohn et al. (2007), ordinal regression is a linear regression-like model used mostly for attitudinal responses measured on continuous ordinal scale. In addition, ordinal regression allows for the interpretation of model parameters even if the variable is not truly continuous or if there is limited justification for category assignment (Lowensohn et al., 2007).

Giroux and McLelland (2003) hypothesized that there are two government structures for municipal governments, council-manager and mayor-council, and that the council-manager structure has superior accounting disclosure and superior financial conditions when compared to mayor-council cities. Giroux and McLelland (2003) tested hypotheses by measuring the role of governance, an independent variable GOV, using two models—one for accounting disclosure and the other for financial condition. Accounting disclosure was measured by a certificate of

achievement (CA) that a municipality receives in recognition for the result of its audits and the disclosure index (DI) based on three factors: (a) a CA, (b) a Big 6 audit (BIG 6), and (c) an unqualified audit opinion (OPIN). Financial condition was measured by financial viability (FV) defined as the ratio of general fund equity divided by general fund revenues. The models also included control variables such as accounting and reporting regulations. Using OLS regression to test disclosure and financial condition, Giroux and McLelland (2003) found that the number of unqualified opinions increased dramatically from 23% in 1983 to 92% in 1996, in other words, the majority of audited municipalities received the CA for results disclosed in the audits. This appeared to be mainly due to the adoption of the council-manager structure of municipal government. Likewise, Giroux and McLelland's (2003) study showed that FV, measured by general fund equity as a percent of revenues, increased from 15.7% to 21.5% during the test period and that this increase is also attributable to the increase in the number of municipalities adopting the council-manager government structure to improve disclosures.

Other research in governmental accounting and auditing using quantitative methods was conducted by Johnson et al. (2003). In this study, Johnson et al. systematically investigated the effects of various fiscal year ends (FYE) on government audit fees and audit delay. It is important to note that audit delays indicate possible non-compliance with the SAA reporting requirement discussed in the single audits section above. Johnson et al. incorporated two phases of analysis, OLS regression and simultaneous regression also referred to as two-stage least squares (TSLS) regression. The OLS regression was used to estimate audit fees and audit delays as the main dependent variables. The TSLS regression was used to re-estimate audit fees and audit delays after the null hypothesis of no endogeneity was rejected based on the Hausman test. Independent variables consisted of three different FYEs—June, September, and December—as

well as other variables such as auditor's tenure, the local government's revenues, etc. The results of analysis revealed that governments with June FYEs incur significantly lower fees than do governments with either September or December FYEs, and that fees for September and December governments are comparable.

A study by McLelland and Giroux (2000) examined the factors that affect the timeliness of external audit reporting of municipal governments. McLelland and Giroux (2000) used OLS regression as the primary empirical analysis in the study and found that larger cities had longer external audit report times. Like Johnson et al. (2003) and McLelland and Giroux (2000), Payne and Jensen (2002) also studied the issue of municipal audit delay by using multiple regression analysis or the OLS method. Payne and Jensen (2002) found that the investigation of municipal audit and audit-firm characteristics improved the researchers' understanding of factors that influence municipal audit delay. While management incentives for timely reporting, including a city manager form of government and bonded indebtedness, significantly decrease audit delay, researchers found that state regulations regarding the audit procurement process increase audit delay and that audit delay was significantly increased by several municipal characteristics including municipal size, audits performed during the auditor's busy season, the receipt of a qualified audit opinion, and the requirement to comply with the SAA (Payne & Jensen, 2002).

In examining the extent to which audit contract type is capable of explaining the variation in audit fees, Thorne et al. (2001) also used OLS regression, which indicated to them that fixed fee contracts are associated with lower audit fees. This study's results suggested that local governments are likely to reduce the fee paid for independent audits if the local governments employ independent auditors with more experience and greater skill under a fixed fee arrangement (Thorne et al., 2001). It was therefore argued that fixed fee arrangements are an



indication of municipalities' ability to comply with the requirements of the SAA and to achieve audit results that do not report any findings on the schedule of findings and questioned costs.

The work of Keating et al. (2005) provided yet another example of how quantitative methods are used in governmental accounting research, particularly, with regard to the analysis and evaluation of single audit findings. As mentioned in the preceding paragraphs, Keating et al. used the survey method in the data collection phase of the research and relied solely on descriptive statistics in the analysis of the collected data. These researchers calculated mean and median values of total assets, total revenues, total expenses, leverage, surplus margin, and federal awards expended for each of the six classifications of the audited grantees of federal awards. The researchers also found that 15.7% of the single audits disclosed findings in the form of reportable conditions (Keating et al., 2005). Reportable conditions indicated that auditors found weaknesses in the auditee's internal control system; but, the noted weaknesses were not significant enough to be considered material weakness (Carslaw et al., 2007). Finally, Keating et al. concluded that although the audit reports reviewed in the course of the study indicated relatively few reportable conditions and even fewer instances of material noncompliance, an observation was made that some variations in audit findings depending on both the type of audit firm, the specific industry sub-sector of the clients, size of the organization, federal award amount, and risk classification.

This section of literature review sought to identify quantitative methodology approaches commonly used in accounting research and to evaluate the use of these approaches in the analysis of audit findings and the findings' resultant effects on the recipients of federal grant awards. It was necessary to first understand the nature of accounting research with regards to its predominant world view. A review of literature revealed that the positivistic view of the world, informed by neoclassical economics, dominates research in accounting. As a result, quantitative

methods commonly associated with positivistic research philosophy were identified in the studies that were reviewed in connection with the present study. The survey method was identified as a quantitative method used at the data collection phase of research and descriptive statistics and OLS methods were found to be used in the analysis phase of research.

In order to evaluate the use of quantitative methods in the analysis of audit findings, this review focused on academic research in the area of audits conducted in accordance with the SAA of 1984 and OMB Circular A-133. The studies reviewed show how accounting researchers used descriptive statistics and OLS methods (Giroux & McLelland, 2003; Johnson et al., 2003; Keating et al., 2005; McLelland & Giroux, 2000; Thorne et al., 2001).

#### **Four Areas of Single Audit Research**

**Impact on auditee compliance.** The US OMB Circular A-133 (2007) set forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards. According to these standards, non-federal entities expending federal awards are expected to comply with the following 14 compliance requirements listed on page 19 of the OMB A-133 Circular (2007): (a) activities allowed or unallowed; (b) allowable costs/cost principles; (c) cash management; (d) Davis-Bacon Act; (e) eligibility; (f) equipment and real property management; (g) matching, level of effort, earmarking; (h) period of availability of Federal funds; (i) procurement and suspension and debarment; (j) program income; (k) real property acquisition and relocation assistance; (l) reporting; (m) subrecipient monitoring; and (n) special tests and provisions.

Literature reviewed in connection with the impact of SAA on the auditee's compliance suggested that researchers observed some improvement in the level of compliance by organizations receiving government funding (Brannan, 1993; Cagle & Pridgen, 2015; Keating et

al., 2005). For instance, Keating et al. (2005) found the findings of studies examining the impact of the SAA on auditee compliance to be somewhat mixed and pointed to studies by Engstrom (1992) and Brannan (1993), which showed that while auditors believe the SAA has achieved some improvement in the level of compliance by organizations receiving government funding, non-federal entity clients do not share in this belief (Cagle & Pridgen, 2015). In addition, these studies, according to Keating et al., revealed that both auditors and clients do not believe that the SAA had resulted in more effective or efficient use of federal funds. Other studies such as Jakubowski's (1995) study on the impact of the SAA within counties and cities also supported the assertion that single audits improved compliance of non-federal entities with federal laws and regulations related to the expenditure of federal assistance. In fact, Jakubowski found that there was improvement in the financial management systems of city governments and very little change in the financial management systems of county governments over the first four reporting years under the SAA.

According to Brannan (1993), Congress wanted to establish, for recipients of federal monies, adequate systems of internal control in order to prevent the misapplication of funds; therefore, these control systems act as the primary vehicle to ensure compliance with all pertinent federal laws and regulations related to the expenditure of federal assistance. In this line of thought, the audit function in the public sector allows the federal government to maintain control over the expenditure process and assigns to auditors the role of control agents for the federal government. However, as Brannan pointed out, among governmental accountants and auditors the perception of the auditor's role is either rejected or perhaps not understood. For instance, according to Brannan, there are clear discrepancies between what professionals and the federal authorities expect from audits and, auditors do not see themselves as the agents of control

to the degree implied in the SAA. Nevertheless, Brannan found that while respondents from his study did not consider the auditor to be responsible for improving compliance among entities receiving federal aid, there was some support for the belief that compliance has improved even if the basis for this support is not as strong as many policy makers would like it to be. In contrast, Forrester (1984) argued that since representatives of government, industry, and the accounting profession have conceived of single audits as assessments, for the most part, of systems that grantees have installed to control the financial and compliance aspects of federal and other awards, ambiguities over what constitutes an acceptable internal control system limit the audits' ability to have a positive impact on auditees' compliance. In fact, Forrester asserted that lack of clarity in the areas of systems undercuts the intended benefits of the single audit.

**Quality of the audit work.** According to Keating et al. (2005), research studies on the quality of single audits date from 1986 when the US GAO issued a report criticizing the quality of audits of governmental entities conducted by certified public accounting firms by reporting that approximately one-third of all audits of recipients of federal financial assistance failed to conform to professional standards. (Keating et al., 2005). Examples of such studies include the work of Broadus and Comtois (1987), Copley and Doucet (1993), and Brown and Raghunandan (1995). As Keating et al. reported, the results of these afore mentioned studies suggested that there was little or no improvement in the quality of governmental audits since the original 1986 GAO report.

More recently, the Audit Committee of the PCIE issued a report on the National Single Audit Sampling Project that was performed to determine the quality of single audits using statistical methods and to make recommendations to address noted audit quality issues (PCIE, 2007). In his description of the National Single Audit Sampling Project, Monaghan (2007)

reported that the project found a majority of single audits to be acceptable. According to the project, as reported by Monaghan (2007), acceptable single audits are those that either have no deficiencies or have one or two insignificant deficiencies. The project's results showed that 115 single audits out of the 208 single audits reviewed covered 92.9% of the \$27 billion sample of federal award expenditures and that these single audits for 92.9% of federal award expenditures reviewed in the project were acceptable. It follows that studies on the SAA from the perspective of quality of audits support the assertion that good quality audits can be and are being performed. Nonetheless, the project also brought to light the fact that 93 single audits from the sample of 208 single audits reviewed covered 7.10 % of the \$27 billion federal award expenditures and were either of limited reliability or simply unacceptable. The project concluded that the lack of due professional care was a factor for most deficiencies in the single audits that were found to be unacceptable or of limited reliability.

For his part, Zender (2011) observed that studies on the quality and integrity of single audit reports being performed under the SAA found that many single audits were not being performed in accordance with professional standards. For this reason, in agreement with the National Single Audit Sampling Project, Zender (2011) contended that although some progress has been observed since the implementation of the SAA, substantial questions remain concerning the extent to which these reports can be relied upon and used since some reports may be inaccurate or entail insufficient audit coverage.

**Auditor selection.** Extant literature suggested that audit fees play a significant role in an entity's decision to select an auditor. Keating et al. (2005) observed that researchers who have examined the role of audit fees in auditor selection found that the SAA increased auditing fees due to additional audit procedures, more potential liability, and requirements that auditors

receive supplemental audit training. Similarly, Cahan, Godfrey, Hamilton, and Jeter (2008) noted that auditors' expertise is a critical factor for firms choosing an auditor. Lowensohn, Johnson, Elder, and Davies (2007) observed that certain governments were willing to pay a fee premium for a "brand name" auditor; but, no relation between specialization and the level of audit fees was found. Nevertheless, according to Lowensohn et al., the results of the study suggested that engaging specialized auditors may be good policy for many local governments.

Consistent with Thomas (2008), Tate (2007) found audit fees to be one of the significant factors in an auditor choice decision for non-profit organizations. He observed that while organizations might change auditors seeking a lower fee, organizations that select a higher quality auditor may be willing to pay a higher audit fee to compensate for the higher quality. Likewise, in reference to Keating et al.'s (2005) assessment of single audits as audits requiring expertise, Vermeer, Raghunandan, and Forgione (2009) supported the idea that audit fees should be higher for organizations that are subject to single audits. And, congruent with Lowensohn et al. (2007), Vermeer et al. (2009) maintained that the Big 4 audit fee premium was based on the notion that audit fees are an indirect measure of audit quality.

In this same line of thought, Samelson, Lowensohn, and Johnson (2006) argued that auditor expertise exerts by far the largest influence on auditee satisfaction and that finance officers, it appears, are impressed by an auditor who knows what he is doing. As Thorne, Holmes, McGowan, Strand, and Strawser (2001) noted, auditors who have greater expertise in the public sector should be both knowledgeable of the potential problems that may arise in the audit of a governmental entity and more efficient in resolving any problematic situations that occur. Thus, finance officers who decide on auditor selection for single audits are comfortable with high audit fees if auditors are perceived to have specialized knowledge of the single audit

process. In fact, as Samelson et al. (2006) reported, audit fees become a surrogate for audit quality. As a result, some researchers expressed concerns over governmental audits, including single audits, performed by low fee auditors. For instance, Sanders and Allen (1993) observed that the SAA of 1984 complicated the auditor's task significantly by requiring the auditor to be familiar not only with a host of new professional pronouncements from the GASB, but also to have knowledge of a large number of audit guidelines and reporting requirements that are unique to the SAA. In addition, Sanders and Allen (1993) argued that given these increased demands, there should be an increase in fees for single audits and that given the relationship between audit quality and fees, the erosion in fees may be of some concern. Furthermore, according to Sanders and Allen, the survey revealed that, in the opinion of practicing government auditors, one of the major causes of poor quality governmental audits is the level of fees earned by the auditor and that over 64% of respondents felt that increasing municipal audit fees to a level comparable to that of commercial clients would be "very effective" in correcting disclosure deficiencies (p. 79).

**Frequency of adverse findings.** As Keating et al. (2005) noted, some researchers (Coe & Ellis, 1991; Jakubowski, 1995) focused on the frequency of adverse findings and found that findings of material internal control weaknesses were reported more frequently in the first four years of the implementation of the single audit act. It is, however, important to first understand the meaning of audit findings from the perspective of single audits before discussing the inclusion of these findings in single audit reports.

According to OMB Circular A-133 (2007), audit finding means deficiencies that the auditor is required to report in the schedule of findings and questioned costs. These reportable conditions consist of audit findings of noncompliance with applicable compliance requirements from the 14 compliance requirements outlined in OMB Circular A-133 and findings of

deficiencies in the non-federal entity's internal controls over compliance. In accordance with government auditing standards, a deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or an employee, in the normal course of performing his or her assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement on a timely basis. These internal control deficiencies are further classified as either material weaknesses or significant deficiencies not considered to be material weaknesses. The Generally Accepted Government Auditing Standards, also known as the Yellow Book, define a significant deficiency in internal controls over compliance as a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Material weakness on the other hand is defined as a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

While Brannan (1993) argued that improvements in non-federal entities' compliance with applicable federal rules and regulations pursuant to the SAA may result in a decreased frequency of reported audit findings, Cagle and Pridgen (2015) contended that audit clients subject to the SAA who have received substantial federal funding and are subject to additional audit procedures regarding the use of those funds would, as a result of these additional procedures, experience an increase in the total number of audit findings reported in connection with single audits. Consistent with Jakubowski (1995), Cagle and Pridgen presented evidence showing that significant differences exist in the number of audit findings issued by public-sector and private-



sector auditors on governmental audit engagements. In fact, according to these authors, private-sector auditors are significantly less likely to issue audit findings for governmental entities than are public-sector auditors and this applies to both noncompliance findings and material weakness findings. In addition, Cagle and Pridgen (2015) reported that for the period from 2003 to 2007, audit clients changing from public-sector auditors to private-sector auditors experienced a mean decrease in the number of findings received in the first year following the change while audit clients changing from private-sector auditors to public-sector auditors experienced a mean increase in the total number of audit findings received in the first year following the change. Contrary to Cagle and Pridgen, Jakubowski (2008) found no difference in the frequency of reported findings by public-sector and private-sector auditors. He claimed that both public-sector and private-sector auditors issued internal control findings (including significant deficiencies and material weaknesses) with the same degree of frequency (Jakubowski, 2008).

According to Peterson (2014), researchers prefer to analyze material weaknesses when measuring single audit performance; however, results of various studies reveal that material weakness findings are rarely included in single audit reports. For this reason, Peterson argued that it is better to use the broader term of reportable conditions when analyzing findings in connection with research studies on single audit performance. As a result, Peterson's (2014) research showed that a city's future Federal funding is significantly negatively impacted by the disclosure of a reportable condition in the single audit report.

### **Synthesis of the Research Findings**

A review of recent literature confirmed Hunter's (1942) observation from more than eight decades ago affirming that no inquiry of the auditing function in the federal government has been reported upon from the point of view of the professional auditor. Among the few contemporary

single audit studies that explore auditors' perception of the single audit act, Engstrom and Reding (1992) reported that the individuals conducting the single audit, the CPAs, are optimistic about the auditors' ability to continually improve audit procedures under the single audit process. However, at the early stage of the implementation of single audits, Forrester (1984) pointed out the ambiguities in the federal government's expectations from auditors and predicted that many practitioners would find that single audit work would not be enough to satisfy the federal government. In fact, Forrester recommended that the accounting profession raise the level of the discussion of audit evidence and limit its length in order to avoid that the conversation between auditors and the federal government turn into a "loud roar of misunderstanding and disagreement" (p. 97). Consistent with Forrester's prediction, Brannan (1993) observed from his survey of practitioners that there is a misunderstanding between policy makers and auditors on the perception of the auditor's role as the chief agent of federal control. This difference in points of view is evident in the various studies by the GAO since 1986 that have consistently criticized the quality of audits of governmental entities conducted by certified public accounting firms (Keating et al., 1995; Uehling, 1991; Zender, 2011).

More recently, the PCIE (2007) reported that significant percentages of reviewed single audits were unacceptable and of limited reliability. The PCIE recommended that the OMB work with the AICPA, State Boards of Accountancy, and other third parties to identify and implement ways to improve the quality of single audits and address audit deficiencies resulting from auditors' lack of due professional care (Monaghan, 2007). Clearly, the majority of extant literature represented the points of view of all single audit stakeholders except that of the auditor. It is however important to recognize that the stakes require responsibility sharing among all stakeholders. As Zender (2011) pointed out, private citizens, legislative and oversight bodies,

investors, and creditors all have a common interest in knowing whether or not federal funds are being used for intended purposes, and; these stakeholders have a desire to obtain assurance that programs are being carried out in accordance with applicable laws and regulations. Thus, this study of single audits integrated the auditor's perspective in the search for meaning and understanding of the auditor's experience with single audits.

### **Critique of Previous Research Methods**

A review of literature confirmed that quantitative research methodology dominates accounting research. As previously indicated, the review of literature revealed that the vast majority of accounting research used descriptive statistics and OLS regression methods which, according to Van der Stede, Young, and Chen (2005), are designed to discover characteristics of a given population, not to test theory. In addition, reviewed literature supported Hunter's (1942) claim more than eight decades ago that no inquiry of single audits seems to have been reported upon from the auditor's perspective.

### **Summary**

As Zender (2011) pointed out, a major challenge for federal grant officers in directing billions of dollars in federal aid to non-federal recipients is to demonstrate accountability. While the SAA remains the most comprehensive tool available to federal officials in evaluating whether sufficient control over federal aid is being exercised by recipients and subrecipients (Zender, 2011), several researchers have questioned the effectiveness of the SAA as a form of oversight required to ensure accountability in the spending of federal funds.

## CHAPTER 3. METHODOLOGY

### Purpose of the Study

In this chapter, the researcher provides a step-by-step description of the methods and procedures used in this study. This description focuses on how the procedures were designed to collect and analyze data used to answer this study's research questions. The researcher discusses the following elements: (a) the purpose of the study; (b) the research question; (c) the research design; (d) the target population and participant selection; (e) the procedures she used to conduct the study; (f) the instruments used to collect the data; and (g) ethical considerations. The final section of this chapter consists of a chapter summary.

As previously stated, the purpose of this qualitative, phenomenological study was to understand, from the auditors' perspectives, how auditors' reporting of single audit findings affects non-federal entities' ability to receive federal grant awards subsequent to the issuance of their single audit reports in accordance with the OMB Circular A-133. Accordingly, the researcher developed the following central research question and sub-questions to aid in the investigation of auditors' experiences with the reporting of single audit findings.

### Research Question

This study investigated one central research question and two sub-questions. The central research question was: *How do auditors experience the effectiveness of the single audit act as an accountability mechanism for the federal government to oversee expenditures of federal grant awards by non-federal grantees?*

There were two sub-questions.

1. What were the auditors' experiences with the consequence of reporting single audit findings?

2. In what context or situations did the auditors experience the consequence of reporting single audit findings?

### **Research Design**

Creswell advanced three types of research methods consisting of qualitative, quantitative, and mixed methods (2014). This research used the qualitative method, which Creswell (2014) explained within a framework that interconnects the social construction world view, the qualitative strategies of inquiry, and specific research methods for developing questions, collecting data, analyzing data, interpreting data, writing-up the research, and validating the study.

As Bawa and Watson (2017) explained, phenomenology is a research design used in qualitative research that requires the researcher to gather, understand, and present data on participants' perceptions and meanings of a phenomenon based on how each participant describes it, feels about it, judges it, remembers it, and discusses it with others. Accordingly, the researcher selected the phenomenology design for this study because it sought to understand, from an auditor's perspective, the meaning of his lived experiences of reporting single audit findings (Ingham-Broomfield, 2015).

The constructionist view in this phenomenology research design claimed that meanings are constructed by human beings as an individual engages with the world he is interpreting (Crotty, 1998; Cypress, 2015). In other words, meanings arise in and out of interactive human community (Crotty, 1998). In this study, auditors discussed the meaning derived from an auditor's interpretation of the single audit environment and her interpretation of the federal government's reaction to reported single audit findings.

With regards to the strategy of inquiry, the researcher in the study used the phenomenological research strategy with a focus on inductive thematic analysis consistent with Moustakas' transcendental phenomenology (1994). The researcher's decision to use this phenomenological methodology was based primarily on its perceived capacity to process authentically the subjective and the value-laden from a small, purposeful, non-representative sample group (Bednall, 2006).

According to Moustakas (1994), transcendental phenomenology is a scientific study of the appearance of things or of a phenomenon just as a person sees it and as it appears to him in consciousness. In other words, transcendental phenomenology describes what one perceives, senses, and knows in one's immediate awareness and experience (Moustakas, 1994). In addition, Moustakas defined his transcendental phenomenology strategy in terms of the specific processes for obtaining and collecting data to explicate themes, meanings, and essences of human experience. According to Moustakas these processes are used to derive awareness, understanding, and knowledge and consist of (a) epoché, (b) phenomenological reduction, (c) imaginative variation, and (d) a synthesis of meanings and essences.

In epoché, one sets aside his prejudgments, biases, and preconceived ideas about things (Moustakas, 1994). For instance, Schmitt (1959) explained that the suspension of all-natural belief in the objects of experience is called the *epoché*. In this study, the researcher relied on her feelings audit (Bednall, 2006) to establish epoché. Consistent with Bednall's (2006) instruction for the feelings audit, the researcher used this audit in each interview to assist in personal reflection and to serve as a persistent reminder of items where she consciously had to set aside any value judgments of items of data contributed by the research interviewees through direct discussions with each auditor as they expressed their understanding of their individual

experiences in auditing expenditures of federal grant awards and perceptions of responses to the reported single audit findings. In accordance with Moustakas' (1994) description of epoché, the researcher returned to the participating auditor's self to discover the nature and meaning of the auditors' reality with regards to single audit findings. In fact, as Moustakas declared, "only one source of certainty exists, what I think, what I feel, in substance, what I perceive" (p. 26).

Keeping in mind that perception of the reality of an object is dependent on a subject, the researcher sought to extract from every participating auditor, as subject, their perceptions of the consequences of reporting single audit findings.

In reference to the work of Valle, King, and Halling (1989), Dowling (2007) explained that the term reduction literally means the person "reduces the world as it is considered in the natural attitude to a world of pure phenomena or, more poetically, to a purely phenomenal realm" (p. 132). Phenomenological reduction, therefore, requires epoché as the precondition for reducing the natural world to a world of phenomena and covers both the epoché and the reduction in the narrower sense of Husserl's last writings (Schmitt, 1959). Merleau-Ponty (1996, cited in Smith, 2005) described reduction as a return to a transcendental consciousness before which the world is spread out and completely transparent. This transparency becomes evident when a complex problem is reduced into its basic components by eliminating the researcher's prejudices about that problem (Walters, 1995). In the reduction process, the researcher provides a complete description of the phenomenon's essential constituents, variations of perceptions, thoughts, feelings, sounds, colors, and shapes (Moustakas, 1994). In other words, the researcher achieves phenomenological reduction by exercising free or imaginative variation and by focusing on the concrete experience itself when describing how the particular experience is constructed (Dowling, 2007). In line with this perspective, Smith (2005) pointed out that

Merleau-Ponty likens imaginative variation to induction and that he interprets both induction and imaginative variation in such a way that they turn out to be variants on essentially the same procedure.

Consistent with Dowling's (2007) observation, the researcher accomplished her phenomenological reduction by engaging in an analytical process that allowed her to explain the meaning of the participants' experiences without the interference of her own perspective (Walters, 1995) developed from her prior professional experience in auditing expenditures of federal grant awards by governmental entities and non-profit organizations. Thus, through this transcendental phenomenological reduction, the researcher was able to derive, from the vantage point of the researcher's open self, a textural description of the meanings and essences of the phenomenon of reporting single audits findings and a description of the constituents that comprise the experience in the consciousness of participant auditors (Moustakas, 1994).

According to Priest (2003), imaginative variation involves asking questions of the phenomenon in order to remove inessential features and to test its limits and exploring all possible meanings of the data. Similarly, Moustakas (1994) emphasized that the task of imaginative variation is to seek possible meanings through the utilization of imagination, varying the frames of reference, employing polarities and reversals, and approaching the phenomenon from divergent perspectives, different positions, roles, or functions in order to arrive at structural descriptions of an experience as well as the underlying and precipitating factors that account for what is being experienced. This is to say that in the process of imaginative variation, the researcher discovers meaning units for both the essence and the lived experience (Kleiman, 2004) discussed in the participant's recollections of his experiences during the interview. Essence is the most invariant meaning for a context or the articulation, based on intuition, of a



fundamental meaning without which a phenomenon could not present itself as it is (Giorgi, 1997). A lived experience refers to the actual description of the phenomenon by the research participant. Kleiman (2004) further explained that free imaginative variation helps the researcher determine which meaning units are essential for, and constitutive of, a fixed identity for the phenomenon under study. In this study, the researcher exercised imaginative variation by developing alternative descriptions for each participant's account of the single audit experience. In addition, the researcher compared and contrasted participants' perspectives in order to detect the essential aspects that appeared across the sources and to recognize variations in how the experience appears (Polkinghorne, 2005).

Consistent with Giorgi's (1997) observations, the researcher anticipated that each subject in this study would describe their concrete experiences with single audit from the perspective of everyday life. Therefore, the researcher needed to re-describe the participant's recollections of their experiences with the single audit process from the perspective of the accounting discipline. In other words, the researcher transformed the participants' everyday language into the accounting language (Giorgi, 1997). Through this transformation, the researcher discovered the textures and the structures of participants' descriptions of the actual experiencing (Moustakas, 1994; Percy, Kostere, & Kostere, 2015; Polkinghorne, 2005) of reporting findings in connection with single audits performed in accordance with the provisions of OMB Circular A-133.

According to Moustakas (1994), synthesis or the intuitive integration of the fundamental textural and structural descriptions into a unified statement is the final step in the phenomenological research process. From Gearing's (2004) point of view, this integration requires the researcher to reintegrate the raw data that was suspended in epoché after the phenomenon was investigated. In other words, the researcher performs the unbracketing of his or

her preconceived ideas on the phenomenon under investigation. For his part, Bednall (2006) submitted that the hearing of voices of a research participant and then interpreting his accounts through a phenomenological integration in which the researcher's own experiences were germane provided sharp insights into the uniqueness of the experience that was investigated.

### **Target Population and Sample**

As Polkinghorne (2005) explained, the focus of qualitative research differs from the focus of statistical research in that statistical research seeks to make claims about a population on the basis of the study of a sample of that population; thus, it requires a random or representative selection of data sources from a population. Qualitative inquiries focus on describing, understanding, and clarifying a human experience; therefore, in this qualitative study, the targeting of both the population and the sample was guided by the requirement to collect a series of intense, full, and saturated descriptions of the experience under investigation (Polkinghorne, 2005).

#### **Population**

The target population for this study was auditors who are certified public accountants and had performed at least one single audit in the last three years. The research focused on single audits performed in the state of New Mexico by independent auditors approved by New Mexico State Auditor Office.

#### **Sample**

Klenke, Wallace, and Martin (2015) recommended a sample size of 2 to 25 for phenomenological studies. Accordingly, the researcher used a purposefully selected sample of 20 participants who had information that helped the purpose of the study. In order to be included,

the auditor or the auditor's firm had to be on the list independent auditors approved by the New Mexico State Auditor Office.

A phenomenological analysis is designed to have a small sample size to provide in-depth data. The phenomenological research included phone interviews with a minimum of 20 auditors selected from New Mexico State Auditor Office's listing of approved independent auditors. According to Leedy and Ormrod (2005), a sample of 5 to 25 participants that have direct experiences with the phenomenon is recommended. In this study, additional participants were recruited if the information saturation had not been reached after completing the interviews with the initial 20 participants. The goal for saturation was to have at least two interviews in a row that offered no new information.

This phenomenological study used purposeful sampling since the intent was to select participants that had experiences with the reporting of single audit findings. The purposeful sampling utilized criterion sampling (Tonbuloglu & Gürol, 2016; Topkaya, 2015) to locate the participants that fit the specific description of approved independent auditors who had performed at least one single audit in the state of New Mexico during the last three years. This methodology limited the breadth of the study while maximizing the depth of the study.

### **Procedures**

The first step in the sampling procedure is to obtain the New Mexico State Auditor Office's listing of approved independent auditors. The first contact with these participants was via an e-mail, which explained the background and subject of the research. These participants were contacted prior to the start of the study to ensure there would be 15 to 20 participants. This e-mail requested that the participant respond with their address and phone number. The address was so the consent forms could be sent and the phone number was so the researcher could call

the participant and provide them the opportunity to share their experiences in a telephone interview that lasted approximately one hour.

### **Participant Selection**

The first step in participant selection was to gather information about the auditors. When an auditor agreed to participate in the study, information about the auditor was collected in order to provide contextual information for the study. This information was gathered from publicly available sources, such as the New Mexico State Auditor's website and website of the selected auditor's CPA firm. Auditors were sent the Informed Consent form once they agreed to participate in the study. Participants were asked to return the form to the researcher via email. Prior to the interview, the researcher reviewed key elements of the Informed Consent form and were provided an overview of the study.

In this study, the researcher purposefully selected a sample of 20 certified public accountants who perform single audits in the state of New Mexico. To be included in the sample, the auditor had to be a licensed certified public accountant in the state of New Mexico, the auditor had to be approved by the New Mexico State Auditor Office as an independent public accountant for governmental entities and, the auditor had to have at least three years of experience in single audits. The selected auditor had to be willing to be interviewed for at least one hour and share his or her single audit experience.

### **Protection of Participants**

According to US Department of Health and Human Services' Code of Federal Regulations (2010), an institutional review board (IRB) protects the rights, safety, and well-being of all participants in a study. This study did not include any vulnerable populations such as children, prisoners, elderly, or persons with diminished comprehension. The US Department of

Health and Human Services (2010) defined minimal risk as the probability of harm or discomfort that is not any greater in the study than it would be in day-to-day ordinary activities. The risk to the participants willing to be interviewed was categorized as minimal.

Participants selected for this study were from various CPA firms in the state of New Mexico. All participants were treated respectfully and fairly in compliance with the informed consent process required by the IRB. All participants received and signed an informed consent form, participant recruitment procedures, and a written document stating that participants could decline to participate at any time without negative repercussions. Confidentiality was of utmost importance in this study to protect the human participants. The study included non-personal demographic information of each participant. Codenames were used for each participant. All documents remain in storage in the researcher's safe and will be destroyed three years after the publication of the study.

### **Data Collection**

Phenomenological research studies require data to be collected via the researcher conducting extensive, informal, interactive interviews with the participants. The researcher asked open-ended questions that allowed the participants to share their experiences with the phenomenon (Moustakas, 1994). Data was collected from the interviews with the selected auditors. The researcher also collected information about each of the selected auditors from his or her CPA firm's website.

The researcher emailed a copy of the Informed Consent form to each of the auditors who agreed to participate in this study and asked the auditor to return her signed Informed Consent forms to the researcher before the date of the interview. Prior to the beginning of the phone interview, the researcher reviewed pertinent information from the Informed Consent form and

explained the overview of the study. The researcher set a time that was favorable to the participant for a phone interview, which was conducted using FreeConferenceCall<sup>®</sup>, a platform that allows for phone conferencing and recording of the interview. The recorded interviews were transcribed at a later date. During the interview process the researcher evaluated the comfort level of the participants and ensured they were at ease throughout the interview process. The researcher let the participants know that a copy of the transcribed interview would be forwarded to them so they could evaluate and make any corrections or adjustments.

As Klenke et al. (2015) emphasized, trustworthiness is the main criterion for judging qualitative research quality and rigor; and, trustworthiness is achieved through four quality criteria of credibility, transferability, dependability, and conformability. According to Klenke et al. (2015), triangulation is one of the strategies for achieving trustworthiness. Wilson (2014) suggested that triangulation refers to using more than one particular approach when doing research to get richer, fuller data and to help confirm the results of the research.

The researcher in this study utilized data triangulation, one of the four types of triangulation according to Wilson (2014), to achieve trustworthiness for this study. Data triangulation entails using different sources of data such as different times for data collection, difference places from which to collect the data, and different people who could be involved in the research study (Gaddi, 2016; Wilson, 2014). In addition to conducting interviews of participants at different times and different locations, the researcher reviewed available company documents from the websites of participants' firms and single audit reports from the websites of the New Mexico State Auditor Office and the Federal Audit Clearinghouse to achieve triangulation of the data (Hussein, 2015).

## Data Analysis

According to Creswell (2007) and Moustakas (1994), data analysis for phenomenological research consists of analyzing the data for significant statements, descriptions, meanings, and description of the “essence.” Moustakas suggested that data analysis requires the researcher to continually listen, read, and reflect on the data so as to understand the participant’s lived experiences thoroughly.

The 20 participants were interviewed and those interviews were transcribed. The researcher had the transcriber transfer the audio recorded interviews into computerized transcripts, which were formatted and printed with double spacing and one-inch margins to assist in organizing the data by category.

The researcher used the modified Van Kaam analysis method which consists of seven steps and is at the basis of the phenomenological analysis method (Moustakas, 1994). The transcriptions were read several times to find similarities between the participants’ responses and coded in order to produce the categories for the final data. Each category was given a definition that came from the participants’ transcribed interviews.

In this study, the researcher used the term coding to signify analysis that is based on critical thinking and exercised by following a sequential and orderly model for making sense of data that are collected to try and understand the realities of the human condition (Bernauer, Lichtman, Jacobs, & Robertson, 2013). Congruently, the researcher followed the data coding procedures and process suggested by Alase (2017). In the first step of the coding process, the researcher read through the interview responses to identify common themes and to search for words or phrases that were repeated in the participants’ responses in order to narrow down and condense the words or sentences in the transcripts (Alase, 2017). Secondly, the researcher re-

read each transcript and listened to any recording devices used during the interviews again for clarity. Alase (2017) proposed three generic coding cycles.

According to Alase (2017), the first generic cycle is a process that gradually codes the sometime lengthy and convoluted responses by research participants into meaningful chunky statements or sentences. The second generic cycle is another condensation process that further helps the researcher reduce the first generic chunky statements or sentences into fewer words to move closer to the core essence of what the research participants were actually expressing (Alase, 2017). In the third and final stage is the category stage during which the researcher captures the core essence of the central meaning unit of the research participants' lived experiences in one or two words. The meaning units are determined in line with the research questions and represent an utterance or a complete thought within the participants' words (Thompson, 2014). Throughout the coding process, the researcher engaged in the bracketing of her own preconceptions.

The researcher implemented bracketing during the reading of the transcripts for specific themes by removing her own beliefs and judgments. The researcher also ensured that previous interviews did not affect or taint subsequent interviews. During the horizontalization step, the researcher listed specific experiences identified from the interviews in preparation for the next step of phenomenological reduction. As Moustakas (1994) explained phenomenological reduction condenses the phenomenon to its' basic essence, which reveals the nature of the phenomenon. Next, the invariant constituents were grouped and thematically validated. Specific examples from the interviews were used to create a textural description that was used to develop an individual structural description using imaginative variation. The combination of both descriptions was used to describe the essence of the experience in a textural-structural



description. The final step is creating a rich, descriptive statement of the essential themes, which linked back to the specific research questions.

The data was analyzed using the following steps.

1. Identify the participants.
2. Confirm the participants.
3. Collect signed consent forms and related documents.
4. Set up interview.
5. Conduct interviews.
6. Transcribe interviews.
7. Send transcriptions for review and revision.
8. Set up follow up interviews (if necessary).
9. Analyze and scrutinize the information for specific characteristics.
10. Analyze data using the Moustakas Modified Van Kaam Method.
  - (a) Perform horizontalization by listing every statement and giving each statement equal value and identifying and separating out the themes which are dominant throughout the interviews.
  - (b) Complete the reduction and elimination process. Statements that cannot be abstracted and labeled will be eliminated. The researcher will also eliminate overlapping and repetitive expressions.
  - (c) Group statements abstracted from the reduction process into common themes through the process of clusterizing and thematizing. These groups will be the core themes of the experience.

- (d) Check the themes against the recorded information and delete the experiences that do not meet the test for relevancy.
- (e) Develop individual textural descriptions of each participant's experiences and create an individual structural description from each participant's textural description.
- (f) Develop a written narrative from the textural and structural descriptions into the meanings and essences of the experience and create a composite description to represent the group of information.

### **Instruments**

The researcher used the interview as the instrument to collect data for this study. The researcher was also considered an instrument, because the researcher conducted the interviews of the participants (Cypress, 2015).

### **The Role of the Researcher**

In this study, the researcher took the role of the main research instrument. In this role, the researcher conducted interviews of research participants and, during these interviews, the researcher and each participant engaged in a conversation connected to the topic of the investigation. The researcher structured the interview by asking a set list of questions to ensure consistency in all the interviews (Juergens, 2012). Consistent with Moustakas' (1994) explanation of bracketing, this researcher made every effort to minimize her own influence and bias. To this end, the researcher used non-leading and open-ended questions.

### **Guiding Interview Questions**

In this study, the researcher applied the following guided interview questions to collect data from participants.

1. What do you perceive as the direct consequences of reporting single audit findings?  
In other words, what are the changes you perceive, both positive and negative, that have occurred as direct or immediate results of your reporting findings in connection with your single audits for nonfederal recipients of federal awards?
2. What do you perceive as the indirect consequences of single audit findings as reported? In other words, what are the changes you perceive, both positive and negative, that have occurred indirectly—as the results of other, more direct or immediate consequences?
3. What do you perceive as the desirable consequences of reporting single audit findings? In other words, what are the positive or helpful changes you perceive as resulting from your reporting of single audit findings?
4. What do you perceive as the undesirable consequences of reporting single audit findings? In other words, what are the negative or harmful changes you perceive as resulting from your reporting of single audit findings?
5. What do you perceive as the anticipated consequences of reporting single audit findings? In other words, what changes do you perceive have occurred that were intended and expected by the federal grantors who required a single audit for the nonfederal recipients of federal grant awards?
6. What do you perceive as the unanticipated consequences of reporting single audit findings? In other words, what changes do you perceive have occurred that were not intended and expected by the federal grantors who required a single audit for the nonfederal recipients of federal grant awards?

7. Is there anything else that you would like to tell me about this issue—any changes that have occurred as a result of reporting single audit findings?

### **Ethical Considerations**

As indicated in previous sections, each participant selected for the study was from a different CPA firm within the state of New Mexico. Although the researcher may have had previous interactions with the participants, the researcher did not have personal bias or preconceived expectations toward what the outcome of the research would produce. None of the participants were chosen to support or refute any particular opinion on his or her lived experiences. The researcher was not currently employed by any of the CPA firms where the target participants of this study worked. The auditors were from different CPA firms and there was no conflict of interest as none of these CPA firms had any influence on the researcher's current position as an accountant for a nonprofit organization.

### **Summary**

In this study, the overall methodology consisted of the qualitative approach based on Moustakas' (1994) transcendental phenomenology. As Creswell (2014) described, the way of analyzing phenomenological data, according to Moustakas, follows a systematic procedure that is rigorous yet accessible to qualitative researchers. According to Creswell (2014), the inquirer first describes her own experiences with the phenomenon (epoché), identifies significant statements in the database from participants, and clusters these statements into meaning units and themes. Next, the researcher synthesizes the themes into a description of the experiences of the individuals (textual and structural descriptions), and then constructs a composite description of the meanings and the essences of the experience.

According to Trotman (2006), phenomenology has a long-established tradition in qualitative research and offers inter alia a number of methodological possibilities within the interpretive paradigm. Transcendental phenomenology was chosen as the appropriate design for this research as the researcher was seeking understanding of the meaning of the auditors' experiences in conducting single audits in the state of New Mexico. Furthermore, transcendental phenomenology worked well for this study as this design provided logical, systematic, and coherent design elements that led to an essential description of the single audit experience (Moerer-Urdahl & Creswell, 2004). Chapter 4 presents the data collected and analyzed in this study.

## CHAPTER 4. PRESENTATION OF THE DATA

### Introduction: The Study and the Researcher

The purpose of this chapter is to provide a description of the results of the study on the consequences of single audit findings on the grantee's subsequent receipt of federal grant awards. The intent of this qualitative, phenomenological study was to understand, from the auditors' perspectives, how auditors' reporting of single audit findings affects non-federal entities' ability to receive federal grant awards subsequent to the issuance of their single audit reports in accordance with the OMB Circular A-133. The need for this research emanated from the observed gap in literature on accounting research. The researcher's review of extant literature revealed that no inquiry of single audits seems to have been reported upon from the perspective of the professional auditor. Indeed, only one paper falling into this category was identified (Modell, 2017). The researcher collected data from interviews with selected auditors and from each of the selected auditors' CPA firm's website. The researcher used Moustakas' (1994) modified Van Kaam method to analyze the collected data and arrive at the results discussed in this chapter. This chapter presents the data collected, the results of the data analysis, and the findings from this study. The chapter is organized in five sections consisting of (a) an introduction, (b) description of the sample, (c) research methodology applied to the data analysis, (d) presentation of data and results of the analysis and, (e) chapter summary.

### The Study

The study consisted of an examination of auditors' perceptions, based on lived experiences, of how reporting of single audit findings affects non-federal entities' ability to receive federal grant awards subsequent to the issuance of single audit reports in accordance with the OMB Circular A-133. The researcher conducted individual open-ended interview sessions

with 20 auditors who are certified public accountants and had performed at least one single audit in the last three years. The interviews were tape recorded and later transcribed for review and analysis using the NVivo analysis software. The interviews were guided by the central research question, two research sub-questions and seven open-ended questions (Appendix A) that allowed participants to share their experiences with the phenomenon under study (Moustakas, 1994). The review and analysis of the transcribed interviews provided the researcher with meaningful insight into the auditors' perceptions and answers to the following research questions.

### **Central Research Question**

How do auditors experience the effectiveness of the single audit act as an accountability mechanism for the federal government to oversee expenditures of federal grant awards by non-federal grantees?

### **Sub-questions**

1. What were the auditors' experiences with the consequence of reporting single audit findings?
2. In what context or situations did the auditors experience the consequence of reporting single audit findings?

The researcher visited the website of New Mexico State Auditor's Office and downloaded the listing of approved audit firms from the site. The researcher reviewed this listing and identified firms that were located in the city of Albuquerque and began the process of contacting auditors in those firms to solicit the firms' participation in the present research. Prior to contacting the auditors, the researcher obtained the approval of the IRB at Capella University. In conjunction with the IRB approval process, the researcher prepared an informed consent form and later provided copies of this form to prospective research participants.

The recruitment process consisted of in-person conversations, telephone communications, and email correspondence. To locate a participant and enlist him or her in person, the researcher attended continuing professional education conferences offered by the New Mexico State Auditor's Office and the New Mexico Society of Certified Public Accountants in Albuquerque, New Mexico from January 2014 to December 2015. During these conferences, the researcher approached each prospective participant, informed him or her of the research study, and asked the participant if he or she would be interested in participating in the research project. The researcher obtained contact information and a tentative date and time for the interview from each of the auditors who expressed an interest in the research. In individual follow-up telephone calls and emails to the prospective participants, the researcher provided additional information about the study, obtained confirmation for the interview date and time, and explained to each participant the need for him or her to review, sign and return emailed copies of the informed consent form. The researcher purposively selected a sample of 20 auditors. Since data saturation was reached by the 20th interview, the researcher determined that it was not necessary to interview additional auditors. Saturation refers to the point in data collection when no new additional data are found that develop aspects of a conceptual category (Francis et al., 2010; Fusch & Ness, 2015).

### **The Researcher**

The researcher in this study is an experienced auditor and has performed several single audits during her 15-year tenure as staff auditor, senior auditor, and audit supervisor in various CPA firms in the state of New Mexico. In addition, the researcher was employed for 5 years as the accounting manager for a local governmental entity and oversaw the single audit process for this local governmental entity. For the last 5 years, the researcher has been employed as the



accountant for a nonprofit organization and serves as the main liaison with the organization's auditor.

As previously discussed, the researcher's interest in the present study emanated from the accounting profession's reaction to the National Single Audit Sampling Project report that was published by the Audit Committee of the PCIE in June 2007. The researcher's observation of fellow auditors' apprehension about the recommendations from the National Single Audit Sampling Project report and her reflection on her own experience as both an auditor and an auditee inspired the researcher to pursue this study. The researcher examined whether single audit reports were relevant and useful in the federal government's decision-making process regarding the award of federal grants to applicants whose previous single audit reports disclose findings. According to OMB, single audit findings consist of the auditors' reporting of significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs (2013). Single audit findings also include the reporting of material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program and the reporting of known questioned costs (OMB, 2013).

In her previous work as an auditor, the researcher developed interviewing skills when interviewing audit clients on issues regarding the audits. For instance, in the conduct of preliminary and final analytical reviews of clients' financial statements, the researcher often interviewed clients' management and obtained from them critical information that explained discrepancies or variances noted during these analytical review phases of the audits. In addition, the researcher successfully completed her PhD program course work during which the researcher learned various techniques for data collection and data analysis. The researcher's professional

experience and educational training equipped her with the skills and knowledge required for the collection and analysis of data throughout the course of this study.

### **The Researcher's Role**

The researcher's role in this study was to gather, interpret, and present data on participants' perceptions and meanings of the experience of reporting single audit findings. The researcher encouraged each participant to share his or her story to enable the researcher to understand the subjective nature of the phenomenon under investigation in this study (Sailakumar & Naachimuthu, 2017). In this role, the researcher as a former auditor, operated as an outsider and applied Moustakas' (1994) prescribed processes for obtaining and collecting data to explicate themes, meanings, and essences of human experiences.

### **Description of the Sample**

The sample of auditors selected to participate in this study consisted of 13 males and seven females ranging in age from 35 years old to 60 years old. Participants' experience with single audits ranged from five years to more than 25 years. These auditors were either currently employed or employed in the last three years by national, regional, or local public accounting firms. National public accounting firms consist of Big Four accounting firms (Buchheit, Dalton, Harp, & Hollingsworth, 2016) and other large accounting firms. These firms offer their audit teams national access to technical accounting consultants, have staff and offices in multiple locations throughout the U.S., and realize audit efficiencies resulting from unified nationwide training (Bills, Cunningham, & Myers, 2016). According to Baudot, Roberts and Wallace (2017), the Big Four accounting firms are Deloitte Touche Tohmatsu Limited, PricewaterhouseCoopers, Ernst & Young, and Klynveld Peat Marwick Goerdeler (KPMG). The regional firm classification includes firms that have a few offices in particular regions of the

country, and the local firm group is composed of firms that have only one office in the state of New Mexico. Three of the participants were from national firms, five participants were from regional firms, and the remaining 12 were from local firms. Additionally, two participants held the position of senior auditor, five participants were managers and, 11 participants were partners or principals.

Table 1. *Participants' Demographic Data*

Participant's Name	Gender	Age Group	Single Audit Experience	Position in the organization	Type of Firm
Participant 1	Male	45-50	10-15	Partner	Local
Participant 2	Female	50-55	20-25	Partner	National
Participant 3	Male	50-55	20-25	Partner	National
Participant 4	Female	40-45	10-15	Manager	Regional
Participant 5	Male	45-50	10-15	Manager	Local
Participant 6	Female	55-60	20-25	Partner	Regional
Participant 7	Female	40-45	10-15	Partner	National
Participant 8	Female	40-45	20-25	Partner	Local
Participant 9	Male	45-50	20-25	Partner	Local
Participant 10	Male	45-50	20-25	Manager	Regional
Participant 11	Male	35-40	10-15	Partner	Local
Participant 12	Male	35-40	10-15	Partner	Regional
Participant 13	Male	35-40	5-10	Manager	Local
Participant 14	Female	40-45	5-10	Partner	Regional
Participant 15	Male	35-40	5-10	Manager	Local
Participant 16	Male	35-40	5-10	Partner	Local
Participant 17	Male	35-40	5-10	Manager	Local
Participant 18	Male	35-40	5-10	senior	Local
Participant 19	Female	35-40	5-10	senior	Local
Participant 20	Male	40-45	5-10	Partner	Local

### Research Methodology Applied to the Data Analysis

Consistent with Moustakas' (1994) description of phenomenological research designs, the researcher collected data by conducting and recording lengthy person-to-person and telephone interviews that focused on the bracketed research topic and questions presented in this study. The researcher followed Moustakas' modified Van Kaam method by organizing and

analyzing the data into individual textural and structural descriptions, a composite textural description, a composite structural description, and a synthesis of textural and structural meanings and essences. The bracketing of the research topic and research questions was achieved through the practice of epoché which included a two-step audit of the researcher's feelings (Bednall, 2006; Chan, Fung, & Chien, 2013). In the first step, the researcher wrote down her understanding of single audits and concerns about single audits. She also revisited her written thoughts to ensure that her own ideas, values, and culture did not override those of the research participants (Hamill & Sinclair, 2010). In the second step, the researcher used a journal to document developing her thoughts, feelings, and perceptions during the research project. She engaged in a continuous examination of her position on issues raised by the participants and on the themes that emerged from the interviews (Hamill & Sinclair, 2010).

In accordance with Englander's (2012) assertion that the selection of participants is the initial step in the data gathering process, the researcher began the process of collecting data for this study by determining the appropriate population. The target population for this study consisted of auditors who were certified public accountants and worked for CPA firms that were registered with the New Mexico State Auditor's Office. The targeting of auditors was consistent with the requirement in phenomenological research to find participants who report having had a specific experience of the phenomenon under investigation (Englander, 2012).

## **Interviews**

According to Bevan (2014), interviewing is the dominant method for data collection in phenomenological research; therefore, the researcher in this study conducted her interviews in a way that enabled a thorough investigation. First, in developing the interview protocol for this study, the researcher reviewed the literature to determine what has been done before. Then, the

researcher completed three pilot interviews with people from the target population to aid in refining the interview protocol (Hill, 2005; Ingham-Broomfield, 2015). The researcher developed interview questions based on the six types of consequences (Ugrin, Odom, & Ott, 2014) outlined in Rogers' (1995) consequence model for studying the consequences associated with an innovation. According to Rogers (1995) and Juergens (2012), the six types of consequences are direct, indirect, desirable, undesirable, anticipated, and unanticipated consequences. Furthermore, Grimm, Fox, Baines and Albertson (2013) explained that consequences are direct when they trigger an immediate response to an innovation, whereas indirect consequences are the second-order results of direct consequences. Desirable consequences refer to functional and undesirable consequences are the dysfunctional effects of an innovation within a social system; anticipated consequences are the intended and recognized effects of an innovation, while unanticipated consequences refer to an innovation's unintended and unrecognized effects (Grimm, Fox, Baines & Albertson, 2013).

The developed interview protocol (Appendix A) was tested in pilot interviews that the researcher conducted on three auditors from a local CPA firm. These pilot interviews allowed the researcher to revise her questions, provided information about the data that were likely to be obtained from each question, and allowed for practice using the protocol in the interview setting (Hill, 2005; Mekonnen, Koop, Melkie, Getahun, Hogeveen & Lam, 2017). The results from the pilot test were not included in the actual study sample. Furthermore, the pilot test participants did not participate in the actual study.

The researcher applied Bevan's (2014) approach to interviewing and was able to demonstrate consistency, dependability, credibility, and trustworthiness, during the interview process by utilizing descriptive and structural questions (Bevan, 2014). The researcher's aim in

these interviews was to encounter the phenomenon via each auditor's description of his or her lived experience in reporting single audit findings (Englander, 2012). Consistent with Bragadottir, Halldorsdottir, Ingadottir, and Jonsdottir (2018) and following Benner's (1994) recommendations as discussed by Bevan (2014), the researcher asked contextual and descriptive questions in the vocabulary and language of the interviewed auditors; and, she actively listened to the replies from these interviewed auditors.

The researcher used the following questions to guide the interviews and to collect data from participants.

1. What do you perceive as the direct consequences of reporting single audit findings? In other words, what are the changes you perceive, both positive and negative, that have occurred as direct or immediate results of your reporting findings in connection with your single audits for nonfederal recipients of federal awards?
2. What do you perceive as the indirect consequences of single audit findings as reported? In other words, what are the changes you perceive, both positive and negative, that have occurred indirectly—as the results of other, more direct or immediate consequences?
3. What do you perceive as the desirable consequences of reporting single audit findings? In other words, what are the positive or helpful changes you perceive as resulting from your reporting of single audit findings?
4. What do you perceive as the undesirable consequences of reporting single audit findings? In other words, what are the negative or harmful changes you perceive as resulting from your reporting of single audit findings?

5. What do you perceive as the anticipated consequences of reporting single audit findings? In other words, what changes do you perceive have occurred that were intended and expected by the federal grantors who required a single audit for the nonfederal recipients of federal grant awards?
6. What do you perceive as the unanticipated consequences of reporting single audit findings? In other words, what changes do you perceive have occurred that were not intended and expected by the federal grantors who required a single audit for the nonfederal recipients of federal grant awards?
7. Is there anything else that you would like to tell me about this issue, any changes that have occurred as a result of reporting single audit findings?

The researcher engaged in the epoché process before the start and during the conduct of each interview in order to set aside her own past associations, understandings, facts, and biases, and thus avoid any shading of the participant's responses (Moustakas, 1994). In addition, participants validated the data collected through the interviews by providing member checks. According to Harper (2012), member checking or participant verification can occur simultaneously during the interview or near the end of the project. Harper explained that in general, during an interview, the researcher restates or summarizes information and then questions the participant to determine accuracy; and, the participant either agrees or disagrees that the summaries reflect his views, feelings, and experiences. If accuracy and completeness are affirmed, then the study is said to have credibility (Harper, 2012). For this research, the researcher restated the participant's response and confirmed the accuracy of the participant's statement at the conclusion of each interview as well as after a response to each question.

Additional questions were also asked spontaneously during the interview for clarification and fuller descriptions of the participants' replies (Moustakas, 1994).

Eleven of the 20 interviews were conducted through telephone communication and the remaining nine interviews were in a face-to-face setting. For the telephone interviews, the researcher stayed in her home office and called the interviewees using her Samsung S5 Android cellular phone. She used the speakers of her Sony MCH-LX10000 stereo system to amplify the sound of the telephone communication. She connected her telephone device to her Sony MCH-LX10000 stereo system in her home office using a Belkin auxiliary cable cord. She then placed the recording device, an Olympus Digital Voice Recorder DM-620, in front of the stereo system's speakers to record the interviews. For the face-to-face interviews, the researcher brought the Olympus voice recorder to the location of the meeting and, with the participant's permission, placed the recording device on the table where the researcher and the participant sat during the interview. In one of the face-to-face interviews, the researcher forgot to bring the recorder; therefore, she used the video recording feature of her cellular telephone device by placing her Samsung S5 cellular phone face down on the table where she and the participant sat for the interview in order to only record the sound without the images. She then played back the video in front of the speakers of her Sony MCH-LX10000 stereo system in her home office and recorded the sound with her Olympus Digital Voice Recorder. She immediately deleted the video file from her telephone device after completing the recording with the Olympus voice recorder. The audio files from both the telephone and the face-to-face interviews were transferred to the researcher's portable computer where they were subsequently used for transcription.

### **Data Analysis**



In order to analyze the data collected, the researcher used epoché, phenomenological reduction, imaginative variation, and synthesis of meanings and essences to derive awareness, understanding, and knowledge with regards to auditors' perceptions of and lived experiences with the consequences of reporting single audit findings. Consistent with the use of qualitative methodology as outlined in Chapter 3, the researcher served as the main instrument in both the data collection and the data analysis phases of this study. The researcher collected data using a semi-structured interview guide to interview participants and analyze data following Moustakas' recommendations for data analysis using the modified Van Kaam method (Wright, Frost, & Turok, 2016). The researcher also used the NVivo 11 data analysis software to organize and analyze rich text-based data in order to identify the categories and themes (Baudot, Roberts, & Wallace, 2017).

The researcher applied Moustakas' (1994) modified Van Kaam method of analysis of phenomenological data, described in the following steps.

### **Interview Transcription Process**

In step 1, the researcher transcribed each participant's interview using oTranscribe, a free web application for transcription. Although the researcher had initially planned to hire professional transcribers, the decision was later made to complete the transcriptions herself in order to become intimate with the data. Moustakas (1994) explained that the only way the researcher could truly come to know things and people was to go out and immerse herself completely in what was there before her; the researcher must look, see, listen, hear, and touch, from many angles, perspectives and vantage points, each time freshly so that there would continue to be openings and learnings that would connect with each other and with prior perceptions, understandings, and future possibilities.

Englander (2012) supported the researcher's choice to complete the transcription work by herself. Englander argued that transcription done by the researcher aids in the understanding of the experience and may assist in the progression toward the first step in the data analysis. oTranscribe provided the researcher with full control of the recorded interviews' playback. The researcher had full control of the recorded interviews' playback. The researcher controlled the speed of each playback and rewind, paused, and fast-forwarded as often as needed to ensure that each participant's responses were captured verbatim. This process allowed the researcher to be immersed within the data and take in what the data offered without bias or prejudgment (Moustakas, 1994). During the transcription process, both the audio files and the text files remained confidential and private. The audio files remained stored in the researcher's computer under password protection and were never uploaded into the web site (Bentley, 2015). The interviews were transcribed verbatim from the audiotapes (Jones-Goods & Grant, 2016). After completing each interview transcription, the researcher copied the transcribed text into a Microsoft Word 2016 file stored in her computer, erased the transcript from the website, and cleared the browser's cache.

### **Coding Process**

Step 2 included the researcher engaging in the coding process. Coding was an iterative process (Firmin, Bonfils, Luther, Minor & Salyers, 2017). The researcher completed the coding of interview transcripts in three phases: text segmentation and selection, coding of selected texts, and retrieval of the full context of each coded segment (Geisler, 2018). Microsoft Word 2016 was utilized for segmentation and selection, Microsoft Excel 2016 was used for manual coding, and NVivo 11 was used for both computer-assisted coding and retrieval of contextual text for coded segments. The researcher began the process of data coding by reading the interview

transcripts in the Microsoft Word document several times to understand what the research participants were saying verbally, and to better understand each participant's state of mind regarding the participant's experience (Alase, 2017) with the reporting of single audit findings. In accordance with Saldaña's (2016a) instructions, the researcher used the Microsoft Word text box tool and wrote preliminary notes on each transcript to document possible ideas or categories that would be used to group similar participants' responses (Turner, 2010). In addition, the researcher used different colors of highlighting in Microsoft Word to manually mark the interview transcripts to identify possible idea segments (Kuhn, Hemberger & Khait, 2015; Saldaña, 2016a). The researcher used the word count tool and found that the Microsoft Word document of combined interview transcripts contained 80 pages, 43,594 words, 908 paragraphs, and 3,438 lines. A total of 227 text segments of ideas related to consequences of reporting single audit findings were identified in this Microsoft Word document of combined interview transcripts and selected for coding. Consistent with Kuhn, Hemberger, and Khait (2015), an idea segment was defined as a claim that ranged from one to three sentences in length together with any reason or evidence supporting it. Next, the researcher utilized Microsoft Excel 2016 to assist in the coding and sorting of text data to determine the common themes relevant to the phenomenon under study (Turner, 2010). According to Geisler (2018), Microsoft Excel is a traditional tool used for coding verbal data; although most people think of it as a quantitative tool, it can function as a database manager, a functionality that is important to coding. The 227 text segments that the researcher highlighted in the Microsoft Word document were subsequently recorded in a Microsoft Excel spreadsheet for further examination (Bolliger & Shepherd, 2018; Sturrock, Preshaw, Hayes, & Wilkes, 2017; Wang, Kung & Byrd, 2018). Consistent with Geisler (2018), the researcher copied the previously selected 227 text segments into Microsoft Excel

spreadsheet as individual paragraphs in one column. Each paragraph was recognized as a core structure in Microsoft Excel and became a row in the spreadsheet column where the selected text segments were copied (Geisler, 2018). A column for coding was placed next to the column of copied text segments and was used to type in codes for each row (Geisler, 2018). The researcher implemented an inductive approach to coding to ensure that data was coded, or categorized for analysis, without fitting it to a predetermined coding frame (Bree & Gallagher, 2016). She relied on a coding scheme that was developed using her interpretation of the selected texts of participants' statements (Geisler, 2016a; Geisler, 2016b). As Pollach (2012) pointed out, text analyses following the interpretive tradition study both manifest and latent content and can be supported by computer software. The researcher supported her manual textual analysis in Microsoft Excel by using NVivo software to organize data, code text segments, and examine words based on their contexts and frequencies (Baudot, Roberts & Wallace, 2017; Pollach, 2012). The inductive coding procedure used in NVivo included repeated reviews of the data to determine key words (Dolezel & Morrison, 2017). The researcher began the process of data analysis via NVivo by importing the individual Microsoft Word documents of interview transcripts into NVivo as sources (Dollah, Abduh & Rosmaladewi, 2017). She then explored the data to identify the key words from participants' statements and used the key words to code text segments through the NVivo feature of free nodes (Dollah, Abduh & Rosmaladewi, 2017; Hoover & Koerber, 2011). According to Leech and Onwuegbuzie (2011), free nodes are what a researcher uses to place meaning on different parts of the text and tree nodes are groupings of free nodes. The researcher used NVivo's coding query system to quickly compile a list of all free nodes and grouped similar free nodes into tree nodes representing the themes for the text segments initially coded in free nodes (Hoover & Koerber, 2011).

## Horizontalization Process

In step 3, the researcher completed the horizontalization process, the first step of Moustakas' (1994) modified Van Kaam method of analysis. Horizontalization is the process by which the researcher identifies every horizon or statement that is relevant to the topic as having equal value (Grant & Cross-Denny, 2017). As indicated in the preceding paragraphs, the researcher carefully and thoroughly read and re-read the complete transcription of each interview and developed a listing and a preliminary grouping of every expression relevant to the experience of reporting single audit findings (Davis & Maldonado, 2015; Jones-Goods & Grant, 2016). Then, the researcher tested each expression to ensure that each expression met the two requirements of reduction and elimination. In other words, the researcher verified that each expression contained a moment of the experience that was a necessary and sufficient constituent for understanding it, and that each expression could be abstracted and labeled (Moustakas, 1994). In conjunction with this test, the researcher eliminated all expressions that did not meet these two requirements and those that were overlapping, repetitive, and vague (Moustakas, 1994). From this exercise, the researcher identified the invariant constituents of the experience of reporting single audit findings from the perspectives of interviewed auditors.

Following the identification of the invariant constituents, the researcher engaged in the process of validating these identified invariant constituents. She checked each invariant constituent and the accompanying themes against the complete interview transcripts. The researcher verified that these invariant constituents were both explicitly expressed in the transcripts and compatible with the participants' expressions (Moustakas, 1994). The invariant constituents that were neither explicitly expressed in the transcripts nor compatible with participants' expressions were removed from the list of validated expressions and groupings

(Albert, 2017). Using the validated invariant constituents and the related themes, the researcher constructed individual textural descriptions of the experience of reporting single audit findings for each of the research participants. In addition, based on the constructed textural descriptions, the researcher developed individual structural descriptions for each research participant. The researcher then combined the individual textural descriptions to create the composite textural description of the single audit experience; similarly, she combined the individual structural descriptions to create the composite structural description of the lived experience of reporting single audit findings that describes the common experience of all the interviewed auditors.

Finally, the researcher integrated the composite textural description and the composite structural description to provide a synthesis of the meanings and essences of the experience of reporting single audit findings. The researcher did not encounter any problems during data analysis. The data used in this analysis and the results of the analysis are presented in the following section.

### **Presentation of Data and Results of the Analysis**

Through phenomenological analysis, the integration of the participants' lived experiences and perceptions were compiled from the interviews. The researcher followed four steps: (a) epoché, (b) phenomenological bracketing, (c) imaginative variation, and (d) synthesis of meaning and structure. Moustakas (1994) and Neuman (2007) agreed that the researcher should adhere to epoché to minimize interviewer bias that may or may not influence the outcome of the study.

#### **Epoché**

Epoché, or bracketing, requires the researcher to set aside his or her prejudgments, biases, and preconceived ideas about things (Moustakas, 1994). In the process of epoché, the researcher

suspends preconceived notions and everyday understandings of the phenomenon being studied to gain fresh insight into the essential elements of the experience (Wilson, Sailor, Calix, & Carney, 2017). The researcher engaged in epoché throughout the research process, both in the data collection and analysis phases (Hamill & Sinclair, 2010). To achieve epoché, the researcher conducted an audit of her feelings (Bednall, 2006; Chan, Fung, & Chien, 2013) in two steps. First, she wrote down what she knew about single audits and what she thought were the issues or concerns with regards to single audits. This exercise allowed her to bring her pre-conceived ideas into her consciousness (Chan et al., 2013; Hamill & Sinclair, 2010). She revisited these written thoughts throughout the research to ensure that her own ideas, values, and culture did not override those of the research participants (Hamill & Sinclair, 2010). In reviewing her written thoughts, the researcher intentionally moved from a position of using her personal assumptions and experiences to interpret the phenomenon under investigation to a point where those assumptions and previous experiences are refuted (Butler, 2016).

Secondly, the researcher kept a field journal that documented the thoughts, feelings, and perceptions she developed during the research project. Immediately after each interview, the researcher updated her field journal and logged in her thoughts, feelings, and reactions (Cartwright, Mountain, Lindo & Bore, 2018). This allowed the researcher to continuously examine her position on issues raised by the participants and on the emerging themes from the interviews (Hamill & Sinclair, 2010). In keeping with Bednall's (2006) recommendations, the researcher treated her documented feelings as a list of items with potential for bias that might impinge upon the research areas and that needed to be kept in abeyance. Consistent with Bednall's (2006) experience, some of these items provoked acute and poignant emotions, which were also recorded in the journal. More importantly, the researcher's implementation of epoché

was an ongoing process of disassociating her mind from the assumptions she previously held about her own experience with the reporting of single audit findings, and of deciding to withhold decisions about the validity of new experiences as described by research participants (Butler, 2016).

### **Phenomenological Reduction and Imaginative Variation**

As described in the data analysis section, the researcher followed Moustakas' (1994) modified Van Kaam analysis method to achieve phenomenological reduction and imaginative variation. Through the process of horizontalization, the researcher identified significant statements in the database of participants' transcribed interviews and clustered these statements into meaning units and themes. Next, the researcher synthesized the themes into a description of the experiences of the individuals (textual and structural descriptions) and constructed a composite description of the meanings and the essences of the participants' experiences.

Consistent with Moerer-Urdahl and Creswell (2004), the researcher obtained information about the experiences of these auditors with the reporting of single audit findings from the identified specific statements. These statements are presented in Appendix B to assist readers in identifying the range of perspectives about the phenomenon of reporting single audit findings (Moustakas, 1994).

According to Moustakas (1994),

evidence from phenomenological research is derived from first-person reports of life experiences; and, in accordance with phenomenological principles, scientific investigation is valid when the knowledge sought is arrived at through descriptions that make possible an understanding of the meanings and essences of experience. (p. 84)

In an effort to develop knowledge regarding auditors' experiences with the phenomenon of reporting single audit findings, the researcher provided the following descriptions of the auditors' experiences based on information they provided in the interviews. The researcher first



organized the identified specific statements previously discussed and defined themes that emerged from these specific statements.

### **Emergent Themes**

The following central research questions guided the study.

1. What were the auditors' experiences with the consequence of reporting single audit findings?
2. In what context or situations did the auditors experience the consequence of reporting single audit findings?

As a result of this study's data analysis, the first research question yielded four themes from textural descriptions that were found to be consistent among the participants' responses to guided interview questions.

1. Timeliness of grantors' reaction
2. Findings increase auditors' work
3. Clients change auditors
4. Single audits are a deterrence tool

In addition, responses to Research Question 2 revealed three categories of structural descriptions of conditions that precipitated the auditors' individual experiences: relationship to time, relationship to space, and relationship to self and to others.

### **Individual Textural Descriptions**

Textural descriptions represent each individual's description of his or her actual experience in terms of thoughts, feelings, examples, ideas, and situations that were experienced (Moustakas, 1994). According to Moustakas (1994), they are the "what" of the appearing

phenomenon. For the present study, the researcher developed textural descriptions for each of the themes that emerged from participants' significant statements.

**Theme 1: Timeliness of grantors' reaction.** Some of the auditors interviewed in connection with the present study offered the following descriptions of perceptions of the timeliness of federal agencies' reaction to reported audit findings:

*Participant 1.* In this participant's experience with reporting single audit findings, the federal government does not always follow up with auditees on reported single audit findings on a timely manner. For instance, he explained that "it would take them on average, it just depends but, somewhere between 3 and 4 years." For example, he discussed one specific instance of the federal government's slow response to findings he reported in one of his single audits in the year 2010 stating that,

at the federal level, again, it took them, even though it was all turned in by December 1st of the year that was being audited, it took them until May to address the agency they gave the funding to. May of 14. So, again, not timely.

Participant 1 suggested that the federal government's reaction, if any, would not have an impact on auditees because the reaction comes too late: "if it's happening, it's happening way too late to have any kind of an impact." His assertions find support in extent literature on the federal government responsiveness to reports of non-compliance by grant recipients. In fact, Schillemans and Busuioc (2015) observed that principals in the public sector sometimes do not actually care about the tasks delegated to agents in the first place.

*Participant 5.* Participant 5 expressed frustration with the federal government because of its lack of action. He explained that he rarely receives feedback from federal grantors:

I'm not even sure that they really pay attention to that. People even at the federal level, I don't know if they're even reading these findings. There's no reporting back to us or that I've seen. Rarely do I see any kind of feedback that they've read those findings and have taken any kind of action to work with the organization.

According to participant 5, “the granting agency or any user of the single audit report does not seem to react to these findings.” Louis found himself in a position of reporting the same findings year after year. For Louis “the frustrating part is that year after year you're still reporting the same issue. The next year you'll write them again, and again, and again.” This participant’s perceptions are consistent with Blair’s (2015) observation that headlines often recount serious problems in how the federal government manages its myriad programs and projects.

### **Theme 2: Auditors’ increased work.**

*Participant 4.* According to participant 4, “the consequence to the auditor is now a high-risk auditee.” Furthermore, participant 4 explained “overall, the findings, the findings I think can have a negative impact on the auditor because now we are doing more work for the same amount of money.” Consistent with Espinosa-Pike and Barrainkua (2016), this participant believes that audit profitability depends on the relationship between audit fees and the cost of performing the audit engagement. Since the high-risk auditee designation requires auditors to perform additional audit procedures, participant 4 believes these additional procedures could increase the cost of the audit engagement and negatively impact the profit margin for the audit (Espinosa-Pike & Barrainkua, 2016).

### **Theme 3: Clients change auditors.**

*Participant 6.* Participant 6 observed that the increased competition in the audit market has led to more power on the part of audit clients and that the pressures clients put on audit firms have been sharpened (Espinosa-Pike & Barrainkua, 2016). In reference to the possibility of an auditor being fired by the audited entity for reporting single audit findings, participant 6 indicated that losing a client is not always detrimental to auditing firms that have a diversified client base. She said,

and so if you get fired by one because of doing the right thing then that's okay because you only lost one or two percent of your revenue at the most. So, it's easy to be principled when you're not putting your total income at jeopardy.

#### **Theme 4: Single audits are a deterrence tool.**

*Participant 2.* Participant 2 was encouraged by the idea that auditors serve as watchdogs and therefore, through single audits, auditors are able to deter abuse or mismanagement of federal grant awards. She said,

because we are a watchdog; so, if you want to make sure, at least, it helps to minimize the abuse. I won't say to resolve the abuse in the program. They want to make sure that people are spending the money appropriately and it's an efficient way to do that.

She also advanced the idea that “clearly, the individuals that get the money, they know there is a watch dog looking at them” in support of auditors’ role as watchdogs. Additional individual textural descriptions and composite textural descriptions for this study are presented in Appendix D.

#### **Structural Descriptions**

Structural descriptions, according to Moustakas (1994), present a picture of the conditions that precipitate an experience and connect with it. While textural descriptions explain the “what” of an experience, structural descriptions provide an understanding of the “how” of that experience (Moustakas, 1994). The researcher in this study derived structural themes from the textural descriptions presented in the preceding section by imagining possible structures of the research participants’ time, space, and relationships to self and to others (Moustakas, 1994). With regards to time, the structural descriptions depict the research participants’ accumulated work experience in auditing expenditures of federal grant awards and reporting single audit findings. The researcher referred to the participating auditors’ titles and years of experience in performing single audits to describe the auditors’ experiences. The researcher explained the

auditors' work environments in her structural descriptions of the research participants' space. Structural descriptions of space revolve around characteristics of the auditors' accounting firms. Concerning relationships to self and to others, the researcher considered each auditor's perceptions of his or her professional responsibilities as well as his or her responsibilities toward the users of single audit reports and the public at large. The researcher presents the developed structural descriptions of research participants' time, space, and relationships to self and to others in Appendix D and discusses some of those descriptions as follows.

### **Relationship to time.**

*Participant 11.* Participant 11 has a combined 15 years of government accounting work experience as both a government auditor and auditee. In his work as an auditor, this participant conducted single audits of state and local governments and was responsible for the preparation of single audit reports and the reporting of single audit findings. As an employee of a governmental entity receiving federal grant awards, he was the auditee and was responsible for the coordination of single audits with the entity's external auditors. In this role, Participant 11 often needed to respond to auditors' single audit findings and prepare a corrective action plan for his government employer.

### **Relationship to space.**

*Participant 1.* The environment in which participant 1 practices accounting and auditing is that of a small sole proprietorship firm. As the owner and partner of a small accounting firm, this participant sets the tone and shapes the culture of his firm. Participant 1 determines the proper allocation of his firm resources for services that his firm provides to various clients, particularly to single audit clients. As indicated in previous sections of this study, single audits require significant amounts of effort and resources in order to ensure compliance with auditing

guidance outlined in OMB Circular A-133 on the basis of the Amended SAA of 1996. This obligation to allocate a significant portion of limited firm resources to single audits creates an environment full of pressure. Leicht and Fennell (1997) described this kind of pressure as pressure for revenue generation and accountability to the state. Furthermore, the stringent rules and legislation of single audits that are put forward by the government reinforce the importance of the technical qualities and fiduciary responsibilities of the accountants (Lander, Koene, & Linssen, 2013) and place a significant amount of pressure on small accounting firms with limited resources who struggle to remain profitable with respect to the single audits they perform. Auditors operating under such pressure develop conflicting perceptions regarding the audit function's important public interest role (Coram & Robinson, 2017).

#### **Relationships to self and to others.**

*Participant 7.* In discussing her relationships with single audit clients, participant 7 pointed out that clients' staffing changes create a huge challenge for her firm and that "a lot of times a finding is the result of the fact that there was turnover and people didn't transition the responsibility appropriately." For instance, as she explained,

the grant may not be implemented properly because person A left the position and then somebody comes in just to fill the position temporarily; but, that person who comes in and fills the position temporarily doesn't really know all there is to know about the grant because he or she is only in a temporary position.

For this reason, participant 11 advises her clients to ensure that "anytime anybody is working with federal funding, they must know that grant agreement word for word in order to be doing any sort of work with it." However, she also recognizes that she cannot be certain of whether or not her single audit clients take her advice and require employees to read the grant agreements. Participant 11 insisted that it is not auditors' responsibility to educate and train

clients' staff on single audits. In her view, auditors' responsibility is to conduct an audit and to provide findings and opinions.

With regards to her relationship with the government, participant 11 expressed confidence in her ability to achieve the goals of single audits for her role. In fact, she stated,

I do feel we are accomplishing our purpose in that the government does want to know how the entities are spending the money, and I believe that that is absolutely accomplished. What the federal agency chooses to do with the information we provide is completely out of our control, but any member of the public can search the result of any single audit finding on a web database, and learn any information they want, so it's all completely public. What happens to the entities after we provide the information is out of our hands.

### **Data Triangulation**

Triangulation allows the researcher to explore different levels and perspectives of the same phenomenon in order to ensure the validity of the study results (Fusch & Ness, 2015).

According to Fusch and Ness (2015), there is a direct link between data triangulation and data saturation in that the application of triangulation enhances the attainment of data saturation.

More importantly, Fusch and Ness argued that failure to reach data saturation has an impact on the quality of the research conducted and hampers content validity.

The researcher implemented triangulation and gathered data via a combination of personal interviews and review documents (Zuze & Weideman, 2013). Consistent with procedures outlined in Chapter 3, the researcher applied data triangulation first by conducting interviews with participants at different times and in different locations (Wilson, 2014).

Interviews are one method of triangulation by which one's study results reach data saturation through the use of different sources of data (Fusch & Ness, 2015; Gaddi, 2016). The researcher reached data saturation for this study when she completed 20 interviews and recognized that there was enough information to replicate the study, that she could no longer obtain additional

new information or identify new themes, and that further coding was no longer feasible (Fusch & Ness, 2015).

Secondly, the researcher reviewed company documents from the websites of participants' firms and single audit reports from the websites of the New Mexico State Auditor Office and the Federal Audit Clearinghouse to substantiate representations made by the study participants during the interviews (Hussein, 2015). The data collected from the interviews and reviewed documents showed no significant difference between the perceptions of interviewed auditors and assertions made in the single audit reports, other government documents and web documents from the participating auditors' firms (Zuze & Weideman, 2013).

### **Summary**

The purpose of this chapter was to provide a description of the results of the research conducted on the consequences of single audit findings on the grantee's subsequent receipt of federal grant awards. This chapter presented the data collected, the results of the data analysis, and the findings from this study. Data collected consisted of transcribed interviews of 20 auditors, which provided the auditors' perceptions based on lived experiences of how reporting of single audit findings affects non-federal entities' ability to receive federal grant awards subsequent to the issuance of single audit reports in accordance with the OMB Circular A-133.

The collected data was analyzed using Moustakas' (1994) modified Van Kaam method of analysis of phenomenological data. Following this method, the researcher first completed the horizontalization process, during which the researcher developed a listing and a preliminary grouping of every expression from the transcribed interviews that was relevant to the experience of reporting single audit findings. Secondly, the researcher completed the process of reduction and elimination resulting in the identification of the invariant constituents of the experience of



reporting single audit findings from the perspectives of interviewed auditors. Next, the researcher validated the identified invariant constituents through data triangulation and developed textural and structural descriptions of the experience of reporting single audit findings for each of the research participants. Finally, the researcher integrated the composite textural descriptions and the composite structural descriptions to provide a synthesis of the meanings and essences of the experience of reporting single audit findings.

The analysis of collected data resulted in the emergence of four themes that provided a valid depiction of auditors' experience with the reporting of single audit findings. In other words, these four themes produced the answers to the central research question and the two sub-questions in this study. The central research question was: *How do auditors experience the effectiveness of the single audit act as an accountability mechanism for the federal government to oversee expenditures of federal grant awards by non-federal grantees?* The sub-questions were as follows.

1. What were the auditors' experiences with the consequence of reporting single audit findings?
2. In what context or situations did the auditors experience the consequence of reporting single audit findings?

As presented in the preceding section, the four themes consisted of the following.

1. Timeliness of grantor's reaction.
2. Auditors' increased work.
3. Clients change auditors.
4. Single audits are a deterrence tool.

The main answer to the research questions resulting from the researcher's review of these four themes is that, in the auditors' experiences, the federal grantor agencies do not exercise proper oversight over expenditures of federal grant awards by the non-federal grant recipients. The themes from research participants' interviews revealed that federal grantor agencies do not issue management decisions in response to reported single audit findings within the 6-month time period as required by the US OMB. In addition, the research participants suggested that non-compliant recipients of federal grant awards do not suffer consequences for non-compliance. Instead, auditors reporting single audit findings seem to suffer the consequences of having to do more work and also of losing clients who chose to change auditors to punish the auditors who previously reported single audit findings on expenditures of federal grant awards. Finally, interviewed auditors suggested that federal grantor agencies do not use single audit reports to enforce the requirements of the single audit act. Instead, according to the research participants, single audit reports have become a tool for deterrence and a mere compilation of bureaucratic paperwork. The following chapter provides an in-depth discussion of these research findings.

## CHAPTER 5. DISCUSSION, IMPLICATIONS, RECOMMENDATIONS

### Summary of the Results

The results of this study as presented in chapter 4 suggested that auditors do not perceive the single audit act as an effective accountability mechanism for the federal government to oversee expenditures of federal grant awards by nonfederal grantees. Participants' responses to interview questions suggested that, in auditors' experiences, federal agencies do not punish non-compliant nonfederal grantees. Each participant described his or her experience within the context of time, space, and relationships to self and to others.

The need for this study arose from the accounting profession's reaction to the October 2007 report released by the PCIE on the National Single Audit Sampling Project. In this report, the PCIE asserted that while the majority of single audits reviewed were found to be acceptable, auditors' lack of due professional care was a factor for most deficiencies in the single audits that were found to be unacceptable or of limited reliability (Fitzgerald, Omer, & Thompson, 2018; Monaghan, 2007). In response to this report, the U.S. Senate Committee on Homeland Security and Governmental Affairs' Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security held a hearing (Single audits, 2007; Taylor, 2015) during which four witnesses presented their testimonies and were questioned by US senators regarding whether single audits were helping to safeguard federal funds. In her testimony on behalf of the American Institute of Certified Public Accountants (AICPA), Foelster pointed out that "the PCIE report focuses recommendations almost entirely on the auditing profession." She also argued that "meaningful improvements in single audit quality will only occur when all of the key stakeholder groups, that is the auditing profession, the procurers of the

services, and the Federal agencies themselves, are involved in the solution” (Single audits, 2007, p. 12).

Based on the PCIE report and the afore-mentioned U.S. Senate hearing, the federal government appears to shift to auditors the responsibility of safeguarding of taxpayers’ monies and of holding non-compliant federal grant award recipients accountable for their use of federal funds (Heidelberg, 2017). In his testimony at the October 2007 U.S. Senate Hearing, Monaghan (Single audits, 2007) explained that the percentages of audits that were not in the acceptable category relate to the dollars reported in audits that the PCIE judged were not acceptable. He further clarified that “it does not mean that those monies were misspent” (p. 24). Rather, according to Monaghan, “it means that the auditing, the accountability of those monies was deficient in those audits, but not that the money was misspent” (Single audits, 2007, p. 24).

Since the PCIE report confirmed that the majority of single audits are acceptable, a more pertinent question on the effectiveness of the SAA would be whether or not the federal government imposes consequences on grantees’ as a result of single audit findings that auditors report in connection with audits of those non-compliant grantees’ expenditures of federal grant awards. In other words, does the federal government hold the non-compliant recipients of federal grant awards accountable for the use of taxpayers’ monies?

Accordingly, the purpose of this qualitative, phenomenological study was to understand, from auditors’ perspectives, how auditors’ reporting of single audit findings in accordance with the OMB Circular A-133 affects non-federal entities’ ability to receive federal grant awards subsequent to the issuance of single audit reports. This understanding is critical in evaluating the federal government’s adherence to its obligations from the SAA as outlined in OMB Circular A-133.

The OMB Circular A-133 assigns management responsibility for federal grants to federal cognizant and oversight agencies; however, in 2012 the U.S. GAO identified management problems in federally funded grant management programs as the cause of a variety of challenges for grant recipients (Drabczyk, 2016). The GAO researchers reported poor coordination between grants-making agencies as one of the weaknesses identified in every stage of the grant life cycle in the 20 federal agencies they studied (Drabczyk, 2016). It is important to note that the third objective of the SAA (1996) required federal agencies to rely upon and use single audit work to the maximum extent practicable. One of the reasons for this study was to draw attention to the need for federal government agencies to consider single audit findings in the grant award process.

In addition to literature reviewed in Chapter 2 of this dissertation, the researcher learned more about the topic of single audits in the recently published studies conducted by various researchers and governmental organizations. For instance, the U.S. GAO issued several reports to the US Congress outlining the results of various studies its staff members conducted on the effectiveness of single audits (2008; 2009; 2010; 2011; 2012; 2017). These newly published GAO reports consistently recommend that the OMB implement new policies and procedures for the improvement of the single audit process.

This qualitative study used Moustakas' (1994) transcendental phenomenology design for research. The results of this transcendental phenomenological study indicated that auditors' experiences with the consequences of reporting single audit findings are meaningfully depicted in the textural-structural synthesis of auditors' own descriptions of these experiences. Based on the meanings derived from auditors' descriptions of lived experiences and based on reviewed literature, federal agencies demonstrate reliance on and use of the single audit work in the

agencies' reaction to reported single audit findings. As directed by OMB, federal agencies are expected to issue management decision letters or impose other consequences to non-compliant recipients of federal grant awards (OMB, 2013) in response to reported single audit findings on these non-compliant recipients' expenditures of federal grant awards. The federal agencies can reduce or deny subsequent awards of federal funds to non-compliant non-federal recipients. Consistent with GAO's findings, this study found that federal agencies do not rely upon and do not use single audit work as directed by the SAA (1996).

### **Discussion of the Results**

As prescribed in OMB Circular A-133, entities that receive federal grant assistance and spend at least \$750,000 of the grant awards are required to undergo a single audit on an annual basis (OMB, 2013). In addition, these entities are required to submit a single audit reporting package to the Federal Clearinghouse within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit (OMB, 2013). The OMB Uniform Guidance specifically directs federal awarding agencies to issue a management decision on audit findings within six months after receipt of the audit report and to ensure that the recipient takes appropriate and timely corrective action (OMB, 2013).

The OMB Circular A-133 requires auditors to complete a risk assessment in the planning stage of the single audit in order to determine whether the entity qualifies as a low-risk auditee. The determination that an entity is a low-risk auditee allows the auditor to test only 25% of that entity's expenditures of federal grant awards. However, if the auditee does not qualify as a low risk entity, the auditee must be considered a high-risk entity and the auditor must audit at least 50% of the auditee's total federal awards expended. According to the OMB Circular A-133, prior

audit findings would indicate higher risk. The reporting of audit findings therefore would require subsequent auditors to increase audit coverage from 25% to 50% of the high-risk entity's expenditures of grant awards. The researcher developed textural descriptions based on each participant's accounts of his or her experience of the consequences of reporting single audit findings.

While auditors of expenditures of federal grant awards serve the public interest and report findings to inform all users of the single audit report, it is the management of the audited organization that procures auditing services from auditors. For this reason, management decides on the selection of the entity's auditor and can terminate its contract with the auditor if management is not satisfied with the auditor's work. In this line of thought, the US GAO recognizes that, in discharging her professional responsibilities, an auditor may encounter conflicting pressures from management of the audited entity (Government Auditing Standards, 2011). An example of such pressures from management is the management's reaction to reported single audit findings. Auditors interviewed in connection with this present study provided insight into the auditors' experience dealing with management's decision to change auditors as a result of reported single audit findings.

The OMB Circular A-133 instructs auditors and auditees on the preparation and submission of the data collection form and the reporting package consisting of financial statements and the schedule of expenditures of federal awards to the Federal Clearinghouse regarding the completion of a single audit. In addition, the circular provides a detailed description of the data collection form, which contains 16 data elements. Each data element represents a box that must either be checked off or filled in. After completing the single audit, auditors and auditees engage in the meticulous process of ensuring that the data collection form

is properly completed to avoid its rejection by the Federal Clearinghouse. This requirement to ensure that the data collection form is properly prepared leads to the following perceptions by interviewed auditors in connection with this study.

### **Composite Textural Description**

Based on the review of participants' textural descriptions discussed above, the researcher developed a composite textural description interpreting the common feelings among all the participants. Auditors interviewed in connection with the study expressed disillusion with the single audit process as a whole. Most importantly, the auditors shared the feeling that the single audit report is not used by grantors who are responsible for the oversight over the expenditures of federal grant awards. In fact, consistent with the findings of the GAO's examination of audits performed under the SAA of 1984 for expenditures of federal grant awards by various states that administer TANF programs, the consensus among this study's participants was that grantors from the federal government do not analyze the single audit reports in such a comprehensive manner to effect consequences for reported single audit findings to the grantees (Allard, Wiegand, Schlecht, Datta, Goerge, & Weigensberg, 2018; Nilsen, 2002).

In line with this study's research questions and information provided by prior research, the researcher's analysis of data from research participants' interviews revealed the following conditions. First, the present study revealed that federal granting agencies do not use single audit reports in the decision to approve or deny grant applications from non-compliant federal grant recipients whose prior audit reports disclose single audit findings. Secondly, the researcher found that non-federal grant recipients know that cognizant and oversight federal agencies generally do not issue management decision letters in response to reported single audit findings. With this knowledge, non-federal grant recipients are not concerned about consequences of the auditors'



reporting of single audit findings. Third, according to the results of this study, the federal government seems to focus on the quality of single audits rather than on ensuring that single audit reports are used by federal grant-making agencies as required by the single audit act. The federal government appears less willing to force granting agencies to use single audit reports and hold non-compliant grantees accountable. For instance, one of the key recommendations from the PCIE report was for the federal government to consider instituting sanctions to be applied to auditors for unacceptable work or for not meeting training requirements (PCIE, 2007).

The GAO's April 2012 report to Congress explained that "the federal government uses grants to achieve national priorities through nonfederal parties, including state and local governments, educational institutions, and nonprofit organizations" (p. 4) The report further stated that "most federal grants share a common life cycle for administering the grants: pre-award, award, implementation, and closeout" (p. 4). According to this report and based on the present research participants' interviews, the federal awarding agency enters into an agreement with grantees stipulating the terms and conditions for the use of grant funds during the award stage. In the implementation stage, federal grant-making agencies are required to disburse payments and to provide management and oversight for the grants. Proper management and oversight consist of reviewing grantee reports, including single audit reports, and in some cases, conducting site visits (GAO, 2012). Grant management and oversight procedures, like other stages of the grant cycle, are subject to a wide range of requirements derived from a combination of OMB guidance, agency regulations, agency policy, and program-specific statutes (GAO, 2012). According to the auditors who participated in this research, one of the ways agencies can exercise oversight over grantees is by reading and reviewing the grantees' single audit reports submitted in the Federal Clearinghouse and by addressing the reported findings with grantees

prior to making additional disbursements of federal funds to the non-compliant grantees. These reviews of single audit reports are an important control point for managing federal grant funds (GAO, 2012).

Consistent with results from surveys conducted by the GAO, federal inspector generals, and other investigative federal agencies, research participants for this present study suggested that grant awarding agencies are often focused on awarding grant money and do not devote sufficient resources to the oversight of how those funds are spent (GAO, 2012). Findings from studies by these governmental entities over several years indicate that federal grant-making agencies' indifference towards reported single audit findings has been a long-standing issue (GAO, 2012). In fact, GAO issued a range of reports raising concerns about the risks and vulnerabilities related to the management and oversight of grants (GAO, 2011). The main concerns in the GAO reports are about the federal government's grant management and the lack of effective oversight tools to reasonably ensure that grants are used for the intended purposes and that risks of fraud, waste, and abuse are minimized (GAO, 2011). Considering concerns raised in GAO reports and since, according to the interviewed auditors, federal grant-awarding agencies often inadequately monitor grantee activities. The results of this research confirmed the assertion that the federal government does not use single audit reports and that it does not subject noncompliant grantees to any consequences as a result of reported single audit findings.

### **Synthesis of Textural and Structural Meanings and Essences**

Consistent with Moustakas' (1994) instruction on the transcendental phenomenological model, the researcher integrated participants' textural and structural descriptions of the lived experiences in order to arrive at a textural-structural synthesis of meanings and essences for the phenomenon or experience lived by auditors in connection with the reporting of single audit

findings. The combination of participants' textural and structural descriptions provided the researcher with greater clarity on the four emergent themes (Armstead, 2017) and facilitated the researcher's process for achieving a valid depiction of the experience being investigated in this study (Moustakas, 1994).

The synthesis of auditors' perceptions also led to the realization that the four emergent themes continued to present themselves as the same reality of the consequences of reporting single audit findings for these auditors. It became clear that this reality is present in time and space while the perceptions of it are in the collective auditors' consciousness (Moustakas, 1994).

The four themes were as follows.

1. Timeliness of grantor's reaction.
2. Auditors' increased work.
3. Clients change auditors.
4. Single audits are a deterrence tool.

With regards to the first theme, most of the participants raised concerns about the timeliness of federal agencies' management decisions on reported single audit findings. The general perception of this study's participants was that there is no accountability within the federal government on the issue of single audit findings.

This auditors' perception was supported by the GAO's observation that oversight issues exist across the government (GAO, 2011). In fact, according to the GAO (2011),

the federal oversight structure is not adequate to monitor the efficiency and effectiveness of the single audit process. Specifically, federal agencies do not systematically use audit findings to identify and understand emerging and persistent issues related to grant programs and grantee use of funds. (p.13).

The GAO (2011) also reported that "Several state auditors have expressed frustration regarding single audit findings that remain open years after they were initially identified without

the auditee or the federal awarding agency taking action” (p. 15). This observed lack of action by federal awarding agencies defies OMB guidance, which requires agencies to evaluate each award recipient’s audit findings and corrective action plans and issue, within 6 months of receipt of the single audit report, a management decision about the actions award recipients must take to correct each single audit finding (GAO, 2017).

The participants expressed concerns about the single audit oversight process. In the words of one participant, “if you’ve gone through a couple instances where you’ve had significant findings and when you find out nothing happens, you start to get jaded; and, you don’t respect the process.” Another participant indicated that “the government doesn’t hold recipients of federal awards accountable.” In addition, this participant felt that things that should happen to recipients of federal awards don’t happen because the federal government either lacks the resources or does not care. This participant also observed that, more often than not, the federal government does not care enough to really fulfill its responsibility and protect tax payers from waste, abuse, and fraud. According to this participant, “there’s not enough accountability within the federal government to ensure that employees within the federal government do all the things they should do to maximize the value of all the tax dollars that constituents pay to the federal government.” Congruently, the GAO (2017) reported that many respondents to its survey suggested that grant-awarding agencies are often focused on awarding grant money and do not devote sufficient resources to the oversight of how those funds are spent, noting that awarding agencies often inadequately monitor grantee activities.

Several of this study’s participants raised concerns about the systematic increase in audit work in response to the findings reported in the auditee’s prior period single audit report. One of the participants stated that, for the auditor, the reporting of single audit findings means that

for next year, it's now a high-risk auditee, we are doing more work. But, we are probably not going to get any more revenue. We are probably not going to get paid for it because we will be stuck. We probably did a 3-year bid with the government agency. So, we are going to be doing the same, we are going to be doing more work; but, we might be stuck doing it for the same fee.

In fact, in accordance with OMB Circular A-133, “prior audit findings would indicate higher risk, particularly when the situations identified in the audit findings could have a significant impact on a federal program or have not been corrected” (OMB, 2009). In addition, OMB’s (2013) recently published uniform guidance requires auditors to report “a summary of the auditor's results, which must include a statement as to whether the auditee qualified as a low-risk auditee” (p. 81). According to this new OMB’s uniform guidance, one of the conditions that a non-federal entity must meet in order to qualify as a low-risk auditee is to have no single audit findings on its federal programs in either of the preceding two audit periods in which the programs were classified as Type A programs (OMB, 2013). Under OMB’s updated percentage of coverage rules, auditors are expected to audit only 20% of the low-risk auditee’s total federal awards expended. If the non-federal entity receiving federal grant awards subject to single audit does not qualify as a low-risk auditee, auditors are required to audit at least 40% of that entity’s total federal awards expended (OMB, 2013). In other words, the reporting of single audit findings triggers a 100% increase in the amount of auditors’ work for the auditee’s subsequent single audit.

Several of this study’s participants explained that members of the management team in non-federal entities receiving federal grant awards often view the reporting of single audit findings as a criticism of the auditee’s management skills and ability to properly administer programs funded by federal grant awards. For this reason, single audit findings perceived to negatively impact management’s reputation have been shown to be associated with the auditees’

decisions to change auditors (Tate, 2007). Tate (2007) submitted that if the organization receives reports from its auditors that reflect poorly on management, management may choose to change auditors to punish the auditor or because management disagrees with the auditor's assessment.

Similarly, an auditor who participated in the present study conveyed,

I think we have lost clients because they think that we are being too picky on things or that they would rather just not have to deal with the stress of us telling them what is wrong. Maybe from their side, they think that they change auditors looking for a different answer.

Another participant suggested that "All the executive director wanted was someone just to tell them everything was okay. Of course, we weren't selected as their auditors again because I just said, I'm wasting my time."

To a great extent, this study's participants shared the view that federal grantor agencies do not rely on single audits and the resulting reports to ensure that nonfederal grant award recipients are held accountable. Instead, the interviewed auditors believed that in reality single audits are used to deter fraud, waste, and abuse through the notion that federal grant recipients are aware of the auditors as watchdogs over the expenditures of federal grant awards. For instance, Janet stated,

because we are a watchdog; so, if you want to make sure, at least, it helps to minimize the abuse. I won't say to resolve the abuse in the program. They want to make sure that people are spending the money appropriately and it's an efficient way to do that.

She also suggested that "It helps too, because clearly, the individuals that get the money, they know there is a watch dog looking at them."

From Nancy's perspective,

it's very useful from the standpoint that ultimately, you're having this independent CPA firm come in and look over a good chunk of your record, and they're looking over your internal controls and your compliance issues, and that in itself I think keeps people in check.

Several participants also observed that federal agencies seem to be interested only in the presentation of single audit reports. According to the interviewed auditors, federal grantor agencies do not seem to care much about the content of the reports. In the words of one participant,

We get it presented right on the data collection form and everything is filled out the right way. I don't expect anything to come from it. And that's really what it is. It is more of a compliance of filling out all these work papers.

Consistent with this fourth emergent theme, the GAO reported that while independent audits identified deficiencies in state or local oversight of TANF contractors in four of the six states the GAO staff visited in connection with its review of the Federal oversight over TANF block grants to states during fiscal years 1997 to 2002, federal officials acknowledged not knowing the extent and nature of problems pertaining to the oversight of TANF contractors that state single audit reports cited because HHS does not analyze these reports in such a comprehensive manner (Nilsen, 2002).

### **Conclusions Based on the Results**

As previously indicated, the results of this study suggested that auditors do not perceive the single audit act as an effective accountability mechanism for the federal government to oversee expenditures of federal grant awards by nonfederal grantees. The analysis of participants' responses to interview questions suggested that, in auditors' experiences, federal agencies do not hold non-compliant nonfederal recipients of federal grant awards responsible for the expenditures of federal grant awards. The researcher reached this conclusion based on her analysis of the textural descriptions developed from participants' responses to interview questions, based on the researcher's development of structural descriptions, and based on the

researcher's synthesis of textural and structural descriptions to derive meanings on the phenomenon of the reporting of single audit findings.

### **Comparison of Findings with Theoretical Framework and Previous Literature**

The results of the present study resonate with the argument of Zender (2011) that the effectiveness of the SAA as a form of oversight required to ensure accountability in the spending of federal funds is questionable. In addition, this study's results are consistent with GAO's (2011) conclusions that

the federal oversight structure is not adequate to monitor the efficiency and effectiveness of the single audit process” and that “federal agencies do not systematically use audit findings to identify and understand emerging and persistent issues related to grant programs and grantee use of funds. (p. 13)

On the theoretical framework of the principal-agent relationship existing between the federal government and auditors of expenditures of federal grant awards, the findings of this study, in agreement with Zender's findings (2011), suggested that federal agencies undermine the auditors' roles as the chief agents of federal control (Jensen & Meckling, 1976; Tillema & TerBogt, 2016) by failing to impose consequences to non-compliant recipients of federal grant awards in response to reported single audit findings. In the absence of adequate audit follow-up by federal agencies, misinformation and abuse by non-compliant grant recipients may thrive (Zender, 2011). For instance, as Zender points out, at various grant recipients' levels, “there are numerous examples of egregious violations to either accounting standards or laws and regulations that seemingly go unanswered by the federal grant officer or Congress” (p. 185). Instead, Zender (2011) observed that the noncompliant grantees' federal funding continued to increase in subsequent periods notwithstanding such violations.



## **Interpretation of the Findings**

This study's findings that there are no consequences to the reporting of single audit findings imply that the federal government's focus on auditors' ability to perform quality single audits instead of ensuring that the federal agencies actually use the single audit reports as intended to achieve the objectives of the single audit act and to hold recipients of federal funds accountable on behalf of taxpayers is an effort by the federal government to shift its oversight responsibility to auditors. The findings also suggest that the federal government's over-emphasis on auditing the auditors would diminish the non-compliant grantees' appreciation of the single audit as a form of oversight required to ensure accountability in the spending of federal funds (Zender, 2011). Responding to the PCIE's (2007) concerns about the quality of single audits, this study provided evidence of auditors' frustration with the federal government's inaction with regards to findings reported as a result of quality single audits performed by the majority of auditors.

Findings in this study insinuate that auditors who display competence and provide quality work in their single audit reports are more likely to experience disappointment with federal agencies who do not use the single audit reports. One participant echoed the frustration experienced by auditors of expenditures of federal grant awards and pleaded "what can you do as an auditor?" In desperation, this auditor wished that auditors would "get a collective group of CPAs to march on Washington and say, 'We're tired. We don't want to take it anymore. Stop telling me how to do a better audit when you don't want to do anything about it.'"

## **Limitations**

This research was the first to investigate the effect of single audit findings on grantees' future grant awards from the perspective of auditors using Moustakas' (1994) transcendental

phenomenology qualitative research method. Consequently, some limitations to this study were attributable to the use of a qualitative research method in the investigation of an accounting topic. Other limitations emanated from this study's reliance on the viewpoints of interviewed auditors in the state of New Mexico. Accordingly, the results of the study may only be generalized to the state of New Mexico during the time this study covers (Holland, 2007). Additionally, there is the possibility that the results of the study may be influenced by the views of the individuals who accepted to be interviewed (Holland, 2007).

### **Implications for Practice**

This study contributed to single audit research in several ways (Chang, 2015). Until now, no study has used Moustakas' (1994) transcendental phenomenology approach to assess, from auditors' perspective, the effectiveness of the single audit act (Taylor, 2015). By using the knowledge generated from each participating auditor's descriptions of their lived experiences with the consequences of reporting single audit findings, this study extended the literature on the effectiveness of single audits as an accountability mechanism. It provided useful implications for other researchers, regulators, and practitioners (Taylor, 2015).

Additionally, this study raised the visibility of the problem within federal agencies and informs all stakeholders of the single audit act that federal grant-making agencies do not use single audit reports as required in the single audit act. By raising the stakeholders' awareness, this study would lead to improvements in the financial management of state and local governments and nonprofit organizations that receive federal grant awards and, assist the federal government in achieving the SAA objective of improving the management of federal funds.

Finally, the present study may provide auditors with justification for increased audit fees in connection with A-133 audits by bringing to light the complexities of the single audit process

and its requirement for substantial additional work for auditors in accordance with the OMB Circular A-133 directives (OMB, 2013).

### **Recommendations for Further Research**

Although this study's findings answered the two research questions, these findings also lead to the realization that there is a need for further research (Richardson, 2009). The development of recommendations for further research was informed by both findings from the present study and proposals made by other researchers (Zender, 2011). In line with Zender's (2011) observations in referencing Brooks and Pariser (1995), the results of this study confirmed that "there is a need for additional research regarding audit follow-up systems and their implementation at all levels of government to further advance accountability" (p. 185) over expenditures of federal grant awards.

Another interesting area for further research is the question of whether single audits have become a tool for deterrence of fraud, waste, and abuse in the management of federal funds rather than an oversight tool that should be used by federal grant making agencies to hold recipients of federal grant awards accountable for the use of federal funds (Humphress, 2011). Finally, taking into account the results of the PCIE's Single Audit Sampling Project and the testimonies presented to the US Senate during the October 2007 hearing on single audits (US Senate, 2007), future research may investigate whether OMB has implemented policies and procedures aimed at strengthening the structure of federal agencies' oversight through the use of single audit reports and, test whether these policies and procedures are consistent throughout the federal government and effective in improving accountability over federal dollars (Single audits, 2007).

## Conclusion

The purpose of this qualitative phenomenological study was to examine the lived experiences of auditors with the consequences of reporting single audit findings. The SAA of 1984, as amended in 1996, OMB Circular A-133, and OMB's Uniform Guidance released in December 2013, requires federal grant making agencies "to follow-up on audit findings to ensure that the recipient takes appropriate and timely corrective action" (p. 79). The OMB's Uniform Guidance (2013) further specifies that "a Federal awarding agency is responsible for issuing a management decision for findings that relate to Federal awards it makes to non-Federal entities" within six months of acceptance of the audit report by the FAC (p. 78667). It follows that the issuance of these management decisions would demonstrate that federal agencies are fulfilling the federal government's oversight responsibilities and holding grant recipients accountable for expenditures of federal grant awards. According to the Uniform Guidance, one of the ways federal agencies can hold noncompliant grant recipients accountable is to withhold further federal awards as a consequence of the auditors' reported single audit findings.

As revealed through this research, in auditors' collective experiences, there are no consequences to noncompliant grantees in response to reported single audit findings because federal agencies do not use single audit reports and do not rely on these reports in the government's decision to approve or deny noncompliant recipients' applications for new or additional federal grant awards. According to Senator Copper, as indicated in his opening statement at the Senate Hearing on single audits, the SAA really is about three things: "one is encouraging sound financial management by those who have received federal funds;" second is "to reduce some of the burden on State and local governments, hold them responsible, hold them accountable, but at the same time to reduce some of the undue burdens on those State and local

governments and on nonprofits, including universities;” and third is “to promote efficient and effective use of audit resources” (Single audits, 2007, p. 2). Congruently, single audits are designed to help the federal government protect and safeguard federal funds and to ensure that the federal government is accountable to the American taxpayers.

In this regard, the results of this study support Foelster’s assessment that the answer to the question of whether single audits help to safeguard taxpayers’ dollars is “an unequivocal yes” (Single audits, 2007). Nevertheless, the findings of this study also suggest that while OMB Circular A-133 compliance supplements (2009) and OMB Uniform Guidance (2013) identify the single audit process as a key factor in the achievement of accountability, single audits help to safeguard taxpayers’ dollars by serving as a tool for deterrence of fraud, waste, and abuse, and; not as a tool for accountability over expenditures of federal grant awards since federal grant-making agencies do not rely on single audit reports.

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## APPENDIX A. STATEMENT OF ORIGINAL WORK

### Academic Honesty Policy

Capella University's Academic Honesty Policy ([3.01.01](#)) holds learners accountable for the integrity of work they submit, which includes but is not limited to discussion postings, assignments, comprehensive exams, and the dissertation or capstone project.

Established in the Policy are the expectations for original work, rationale for the policy, definition of terms that pertain to academic honesty and original work, and disciplinary consequences of academic dishonesty. Also stated in the Policy is the expectation that learners will follow APA rules for citing another person's ideas or works.

The following standards for original work and definition of *plagiarism* are discussed in the Policy:

Learners are expected to be the sole authors of their work and to acknowledge the authorship of others' work through proper citation and reference. Use of another person's ideas, including another learner's, without proper reference or citation constitutes plagiarism and academic dishonesty and is prohibited conduct. (p. 1)

Plagiarism is one example of academic dishonesty. Plagiarism is presenting someone else's ideas or work as your own. Plagiarism also includes copying verbatim or rephrasing ideas without properly acknowledging the source by author, date, and publication medium. (p. 2)

Capella University's Research Misconduct Policy ([3.03.06](#)) holds learners accountable for research integrity. What constitutes research misconduct is discussed in the Policy:

Research misconduct includes but is not limited to falsification, fabrication, plagiarism, misappropriation, or other practices that seriously deviate from those that are commonly accepted within the academic community for proposing, conducting, or reviewing research, or in reporting research results. (p. 1)

Learners failing to abide by these policies are subject to consequences, including but not limited to dismissal or revocation of the degree.

### Statement of Original Work and Signature

I have read, understood, and abided by Capella University's Academic Honesty Policy ([3.01.01](#)) and Research Misconduct Policy ([3.03.06](#)), including Policy Statements, Rationale, and Definitions.

I attest that this dissertation or capstone project is my own work. Where I have used the ideas or words of others, I have paraphrased, summarized, or used direct quotes following the guidelines set forth in the *APA Publication Manual*.

Learner name  
and date Angela N. Ekofe      01/09/2018

## APPENDIX B. INTERVIEW PROTOCOL

Running head: EKOFO – Interview Protocol

1

The effect of single audit findings on the auditee's federal grant awards

### Interview Protocol

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**The effect of single audit findings on the auditee’s federal grant awards**

**Interview Protocol**

<p>Welcome—Explain purpose of the interview</p>	<p>Thank you for agreeing to do this interview. My name is Angela Ekofo, and I will be talking with you today.</p> <p>I am conducting this study for my dissertation in partial fulfillment of the requirements for the degree Doctor of Philosophy at Capella University, School of Business &amp; Technology.</p> <p>This study seeks to understand, from the auditors’ perspectives, how auditors’ reporting of single audit findings affects non-federal entities’ ability to receive federal grant awards after the issuance of their single audit reports in accordance with the office of management and budget (OMB) circular A-133.</p> <p>The purpose of this interview today is to learn more about your experiences with and recommendations related to single audit. The interview will last about 1 hour.</p> <p>Did you read the consent form that was sent to you? Do you have any questions?</p>
<p>Ground rules</p>	<ol style="list-style-type: none"> <li>1. Everything you tell me will be confidential. To protect your privacy, I will not connect your name with anything that you say.</li> <li>2. At any time during our conversation, please feel free to let me know if you have any questions or if you would rather not answer any specific question.</li> <li>3. You can also stop the interview at any time for any reason.</li> <li>4. Please remember that I want to know what you think and feel and that there are no right or wrong answers.</li> <li>5. Is it OK if I audiotape this interview today?</li> </ol>
<p>Questions and Probes</p>	<p>To begin, please describe the various users of Single Audit reports.</p> <p>Now, I would like to discuss your impressions of the usefulness of single audit reports</p> <ol style="list-style-type: none"> <li>1. What do you perceive as the direct consequences of reporting single audit findings? In other words, what are</li> </ol>



	<p>the changes you perceive, both positive and negative, that have occurred as direct or immediate results of your reporting findings in connection with your single audits for nonfederal recipients of federal awards?</p> <p>2. What do you perceive as the indirect consequences of single audit findings as reported? In other words, what are the changes you perceive, both positive and negative, that have occurred indirectly—as the results of other, more direct or immediate consequences?</p> <p>3. What do you perceive as the desirable consequences of reporting single audit findings? In other words, what are the positive or helpful changes you perceive as resulting from your reporting of single audit findings?</p> <p>4. What do you perceive as the undesirable consequences of reporting single audit findings? In other words, what are the negative or harmful changes you perceive as resulting from your reporting of single audit findings?</p> <p>5. What do you perceive as the anticipated consequences of reporting single audit findings? In other words, what changes do you perceive have occurred that were intended and expected by the federal grantors who required a single audit for the nonfederal recipients of federal grant awards?</p> <p>6. What do you perceive as the unanticipated consequences of reporting single audit findings? In other words, what changes do you perceive have occurred that were not intended and expected by the federal grantors who required a single audit for the nonfederal recipients of federal grant awards?</p> <p>7. Is there anything else that you would like to tell me about this issue—any changes that have occurred as a result of reporting single audit findings?</p>
<p>Closing</p>	<p>Those were all the questions that I wanted to ask.</p> <p>Do you have any final thoughts about single audits that you would like to share?</p> <p>What is the most important message that you want me to take away from this interview?</p>

	Thank you for your time.
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## APPENDIX C. SELECTED SIGNIFICANT STATEMENTS

Participant Number	Significant Statements
1	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: I just don't think there is timely, there is not, maybe not, the diligence done at the front end, reading those reports before they issue grants, there is not the diligence in the back end as soon as that report is submitted if there is a finding. There should be something on the front end. The follow up is what I am more concerned with. No one is doing the follow up. they are giving us guidelines or expectations that really are not realistic in terms of, this is, it has to be transparent, it has to be.</p> <p>Researcher: What do you perceive as the desirable consequences of reporting single audit findings?</p> <p>Participant: The first thing I would like to see is more timely action taken if action is necessary. Somebody should take action on those fairly quickly to address those issues with the agency. But, that does not happen. I don't want to say never, it would take them on average, it just depends but, somewhere between 3 and 4 years. Yeah, 3 to 4 years, yes. At the federal level, again, it took them, even though it was all turned in by December 1st of the year that was being audited, 2010, it took them until May to address the agency they gave the funding to. May of 14. So, again, not timely.</p> <p>Researcher: What are the negative or harmful changes you perceive as resulting from your reporting of single audit findings?</p> <p>Participant: The only action that occurred is, and nothing happened with the federal grantor for that agency, the only thing that really came out of it is that there is, I would say, an auditor independence issue. I no longer do their work because I think what they were doing was wrong. And so there was no more work.</p>

Participant Number	Significant Statements
1	<p>Researcher: Is there anything else that you would like to tell me about this issue?</p> <p>Participant: So, I think that, I guess I feel like, you, what they have done is tell us all this stuff and we go out there and try to tell these clients what they have to do. And even when they don't do it, it didn't matter so then everyone looks stupid, the auditor looks stupid, the federal government looks stupid because no one followed through with it. And really the only person or entity that came out ahead was that entity that may be didn't do something, I am gonna say they did something intentionally wrong, and but I am gonna say and there were no consequences to them. And, if it's happening, it's happening way too late to have any kind of an impact.</p> <p>But, I still think that where there are those bigger issues that they need to be addressed more timely than what they are.</p>
2	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: So, in the end as far as the direct consequences, I really think it, I don't think it ever affects often the amount of money that gets awarded. There is no bite to the fact that you got a finding. They don't do anything, then they just, at some point, it becomes sort of a OK, no big deal. It's like if you speed down the street everyone once in a while no one ever gives you a ticket; well, you don't worry about speeding down the street anymore.</p> <p>Researcher: What do you perceive as the indirect consequences of single audit findings as reported?</p> <p>Participant: If there are findings obviously, they have to then make adjustments to their programs and sometimes that does have direct consequences on those who receive the benefits of the programs. They suspended the whole program until they could go back and fix all that up; so, then the kids no longer could go to this program, so you are right, so the kids clearly are harmed by this. The parents of those children are harmed by this, now they don't have a place to drop their kids. If the funding is withdrawn, people get hurt. And, it's the wrong people that get hurt.</p>

Participant Number	Significant Statements
2	<p>Researcher: What do you perceive as the anticipated consequences of reporting single audit findings?</p> <p>Participant: I mean, well you know, every year like HHS, you send in the findings to HHS, and you get a letter from them it's like clockwork, this letter. But, all they do is list out your findings in this letter and say please fix them. I would say though, if I get a call. If I am going to get a call, I would get it within about 6 months to 8 months of having released the report. It's not immediate usually. But, it's usually within 12 months.</p> <p>Researcher: Is there anything else that you would like to tell me about this issue? How effective is the Single Audit Act?</p> <p>Participant: Because we are a watchdog. So, if you want to make sure, at least, it helps to minimize the abuse. I won't say to resolve the abuse in the program. They want to make sure that people are spending the money appropriately and it's an efficient way to do that. It helps too, because clearly, the individuals that get the money, they know there is a watch dog looking at them.</p>
3	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: From the client's aspect, I think they, obviously, their concern is that it could affect future funding and everything. We don't see that as much. We don't see a whole lot of reduction in future funding.</p> <p>Researcher: What do you perceive as the indirect consequences of single audit findings as reported?</p> <p>Participant: You would come in and do additional audit work or something like that.</p>

Participant Number	Significant Statements
4	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: The general consensus is, we do all this work, we submit all this information, and nothing happens. And here isn't enough backlash. It's just that we prepare this information, we audit it, we find issues. We report it. And, the slap on the hand is, is the worst that, from what I hear, is what anybody ever sees and what happens to the awardee. I don't think there is enough enforcement of you messed up you got, or you got findings, you've got to do something. I don't think there's enough on the back end.</p> <p>The consequence to the auditor is now a high-risk auditee. So, now we are doing more work depending on the type of client. If it's now a high-risk auditee, we are doing more work. But, we are probably not gonna get any more revenue. We are probably not gonna get paid for it. Because we will be stuck. We probably did a 3-year bid with the government agency. So, we are gonna be doing the same, we are gonna be doing more work; but, we might be stuck doing it for the same fee. Sometimes we are able to get contracts modified for the additional work that they expect.</p> <p>Researcher: What do you perceive as the anticipated consequences of reporting single audit findings?</p> <p>Participant: So now we are gonna spend this many more hours on this job without this getting paid. But it's more, it's more then why am I, why are we spending the time doing this? So, when you look at the amount of, now the amount of work, extra work it takes, for just the A-133 component compared to the total, it definitely doesn't make sense where if we have a finding in a situation like that, and nothing ever happens. Then, we're, we get paid for it.</p> <p>Each auditor would read that and say, ok, we're gonna have to do some more work on these guys because they look like they are a mess.</p>

Participant Number	Significant Statements
4	<p>But, my anticipation is generally nothing, for nothing to happen. It's to, it's more like let's make sure that we get this right. We get it presented right in the financial statements.</p> <p>We get it presented right on the data collection form and everything is filled out the right way. I don't expect anything to come from it.</p> <p>And that's really what it is. It is more of a compliance of filling out all these work papers.</p> <p>Researcher: What do you perceive as the undesirable consequences of reporting single audit findings?</p> <p>Participant: So, in a way A-133 overall, the findings, the findings I think can have a negative impact on the auditor because now we are doing more work for the same amount of money. Overall A-133 is good for audit firms because that's extra work that we've got to do.</p> <p>Once you've been in an agency and you see, hey look we screwed this up and nobody ever did anything to us except the slap on the hand; it seems like a waste of funding, a waste of funds for me. A waste of cost. Even though we are the ones that get the benefit of getting that revenue.</p> <p>Researcher: Is there anything else that you would like to tell me about this issue? How effective is the Single Audit Act?</p> <p>Participant: The single audit requirement might work as a deterrent, as a preventative thing. I don't think it's the enforcement at the back end. It might be a deterrent at the front end and say, hey, let's not get in trouble. But, I don't think; there's nothing in the back end that if you did have a finding. If you've gone through a couple instances where you've had significant findings and when you find out nothing happens, you start to get jaded. And, you don't respect the processes. You don't respect what might become, the consequences might be.</p> <p>Because I think people, the perception of the consequences is more significant than then the consequences themselves. Nothing happens, in my perspective, to the grantees. So, the whole thing is kind of broken all the way through.</p>

Participant Number	Significant Statements
4	<p>And the only thing I can see that it actually does is may be a deterrence. So somebody is doing the right thing because they are afraid that there's something bad that's gonna happen. Even though I don't think anything really bad does happen.</p> <p>Well they look at that and nobody follows. And they report what's wrong but nobody does anything about it. Somebody who is not in the field would say, why do they bother looking at it if nothing happens? Why would you even do it? Why would you go through the exercise if not to enforce on the back end?</p> <p>So, the fact that we have it, I think, to work as a deterrent, I think works to some extent. To what extent, it's tough to tell.</p>
5	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: I'm not even sure that they really pay attention to that. People even at the federal level-- I don't know if they're even reading these findings. There's no reporting back to us for what I've seen. Rarely do I see any kind of feedback that they've read those findings and have taken any kind of action to work with the organization. I think that they try to pretend like they're doing something, but I don't know on a very big magnitude that anything has really happened. If you're not going to do a thing about it anyway, I can report until the cows come in, but if nobody does anything about it, who cares? It's paperwork with no importance.</p> <p>Researcher: What do you perceive as the undesirable consequences of reporting single audit findings?</p> <p>Participant: I think we have lost clients because they think they're being too picky on things or that they would rather just not have the stress of you telling them. Maybe from their side, they think that they change auditors looking for a different answer. It seems to me that more and more responsibility is put upon auditors to do things differently, look at things differently, take it more seriously, do more, do more, do more. Yet the people that are funding the federal</p>



Participant Number	Significant Statements
5	<p>money to whatever agency, they don't hold the people administrating these programs with these funds to the same level as we are in trying to detect whether they are following the programs of the single audit. And that is the most frustrating part about it.</p> <p>I just feel like the responsibility is put on, a lot more on detecting than training people who are really in charge of spending the money.</p> <p>Researcher: What do you perceive as the anticipated consequences of reporting single audit findings?</p> <p>Participant: When you write these things up then you lose clients because they get frustrated with you for picking on them, or reporting. All the executive director wanted was someone just to tell them everything was okay. Of course, we weren't selected as their auditors again because I just said, "I'm wasting my time." Or, the granting agency or any user of this single audit report does not seem to react to these findings. Then the next year you'll write them again, and again, and again. The frustrating part is that year after year you're still reporting the same issue.</p> <p>Researcher: Is there anything else that you would like to tell me about this issue? How effective is the Single Audit Act?</p> <p>Participant: I feel like the auditors have become the police of federal money. The fiduciary part of that is being lost, and the importance of that I believe. It's just the disconnect, a gap, between what's actually being done to use the money and what we have to do to report on it. We get scrutinized a lot tougher than the agencies that are spending the money. And the consequences to us can be a lot heavier than to them.</p> <p>They have delegated the checking and the monitoring and the verifying, but how about the accountability? The client looks at you like, "Well, nobody else cares, so why do you keep telling me this for?" If the federal government doesn't look at it and respond to that then...yeah.</p>

Participant Number	Significant Statements
5	<p>At some point you think, "What can you do as an auditor?" I've even talked about, we should get a collective group of CPAs to march on Washington and say, "We're tired. We don't want to take it anymore.</p> <p>Stop telling me how to do a better audit when you don't want to do anything about it."</p>
6	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: I don't feel like there are any direct consequences to the federal agencies except they are informed. The federal government does not have enough resources and what they do have don't work hard enough to effectively oversee all of the organizations that are provided federal awards across the country, and so the findings have to be significant and sometimes repetitive before the federal government really pays attention to it. It's apparent that there are no effective oversights and there are not sufficient consequences because you do see situations where findings get repeated for several years in a row and there are no consequences and so the system isn't working the way it should.</p> <p>Researcher: What do you perceive as the undesirable consequences of reporting single audit findings?</p> <p>Participant: I would say that is rare, but certainly it has happened. You have to understand, at least with respect to tribes, the federal government has a trust responsibility because of the treaties that were signed a long time ago to provide health, education, welfare, administrative oversight of tribes; so, the service to the Indian Tribes would not go away, it would just be administered by the federal government directly instead of being administered by a tribe.</p> <p>I don't want to see a situation where I have to report a bunch of findings that are going to result in my client losing grant funds or having to pay back money to the federal government, and not that I won't fulfill my professional requirements.</p>

Participant Number	Significant Statements
6	<p>Researcher: Is there anything else that you would like to tell me about this issue? How effective is the Single Audit Act?</p> <p>Participant: There's no accountability within the federal government, and so there's a lot within the federal government that is wrong, and there is no good accountability with recipients of federal awards or the government doesn't hold them accountable. And so, maybe some of the sanctions, things that should happen to recipients of federal awards, they don't happen because the federal government either lacks the resources or they don't care. I think it's more often than not they don't care enough to really fulfill their responsibility and protect tax payers from waste, abuse, and fraud than anything else. I think there's not enough accountability within the federal government to where the employees within the federal government do all the things they should do to maximize the value of all the tax dollars that we pay to the federal government</p> <p>It's unfortunate, but there's too many, there's just not enough effective management of employees in the federal government where all the people are doing the things they should do to protect us tax payers. It's just that what the federal government should be doing is preventative measures instead of reacting to situations that are just ridiculously out of control. Too many people that are not fulfilling their responsibilities because there's no effective management; and, once you get a federal job it's very hard to be dismissed from it. People should be judged and held accountable for what they get done and don't get done. It's just a bureaucracy that they learned from the federal government and they don't do a remarkably better job.</p> <p>The oversight of the federal government is kind of like the oversight by the state AICPA, there are no consequences to people that aren't doing what they're supposed to do. It's a lack of accountability within all people involved. In my mind, the process that exists is not perfect but it's better than having no system of monitoring at all. I believe that it's better than leaving the monitoring to the federal government because they've proven time and time again that they aren't very good at monitoring.</p>
7	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p>

Participant Number	Significant Statements
7	<p>Participant: I've never seen or heard from any federal agencies about findings that I issue. I can tell you in my experience when I have seen and issued findings, I don't see a drop in funding this next year.</p> <p>Researcher: What do you perceive as the anticipated consequences of reporting single audit findings?</p> <p>Participant: It's a concern and it means we have to do additional test work over that area because that area isn't as strong as it should be. If an agency has a single audit, sure the fee for the audit is going to be higher than if an agency does not have a single audit. So we do build that into our contract price. It's more work to be done.</p>
8	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: For the majority of findings, there's really not much of a consequence at all. The only finding where I've found there is a direct consequence is when there's a question cost involved. In certain cases, I've seen entities be put on cost reimbursement basis.</p> <p>Researcher: What do you perceive as the anticipated consequences of reporting single audit findings?</p> <p>Participant: I've been doing it for 15 years now, I usually don't anticipate anything that will happen. I really don't have much anticipation for something happening. An audit does provide a level of assurance that the money is being spent accordingly. I think that's why it's done. It's just to make sure there's not all sorts of fraud going on, all sorts of mismanagement.</p> <p>Also, we are required to state who's responsible for correcting the finding. You do that every year; the only problem is that sometimes the</p>

Participant Number	Significant Statements
8	<p>follow through, a lot of times, they write this information down but it's not effective.</p> <p>Researcher: Is there anything else that you would like to tell me about this issue? How effective is the Single Audit Act?</p> <p>Participant: I think it's very useful from the standpoint that ultimately, you're having this independent CPA firm come in and look over a good chunk of your records, and they're looking over your internal controls and your compliance issues, and that in itself I think keeps people in check.</p> <p>I think having an independent party look over your shoulder, it makes entities stay on their toes. I think without a single audit, these entities that spend over half a million dollars in federal funds and weren't properly audited, I think mismanagement, fraud, would happen.</p>
9	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: My perception is that the federal government does not follow up and they do not distribute enough consequences when they see single audit findings. My perception is that I see organizations who have findings that are material weakness, noncompliance, question costs, but they keep getting the funding year after year; there doesn't seem to be any consequences.</p>
10	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: Actually, it's very rare that I've heard back from a federal agency or what their responses to findings are. I've never received a follow-up from any agency with questions.</p> <p>I know early in my career I was always surprised that the number and magnitude of findings we had on the federal level were never subject to consequences.</p>

Participant Number	Significant Statements
10	<p>Researcher: Is there anything else that you would like to tell me about this issue? How effective is the Single Audit Act?</p> <p>Participant: From my experience, I've never really heard much back from the feds, I think it does help at least from a perception standpoint. It helps the grantee and keeps them in line. At least the thought that somebody is watching and putting in the audit. I think that's the essential purpose from my perspective.</p>
11	<p>Researcher: What do you perceive as the direct consequences of reporting single audit findings?</p> <p>Participant: In terms of consequences, I haven't really seen anything where funding has been reduced or taken away because of these findings that we reported; but, I definitely do think that the corrective action plan is a holder of accountability. There have been some findings that specifically stick out in my mind that almost right at the level of fraud, and there have been literally no consequences to my knowledge. There's some that I could think of about five or six years ago that we still talk about and laugh about although it's really a bad thing. I thought for sure somebody is going to get fired; somebody's going to have to take back money, and nothing.</p> <p>Researcher: Is there anything else that you would like to tell me about this issue? How effective is the Single Audit Act?</p> <p>Participant: I think it's a waste of time to find these findings and point out these big issues and then nothing happens. If there's an A133 finding written, you rarely hear about some significant consequence coming down on grant administrators or entities that are matching things up and findings that are repeated.</p>

## APPENDIX D. TEXTURAL DESCRIPTIONS

The individual and composite textural descriptions consisted of the following:

### **1. Individual Textural Description**

Theme 1: Timeliness of grantors' reaction to reported audit findings and their lack of action with regards to the findings

Some of the auditors interviewed in connection with the present study offered the following descriptions of perceptions of the timeliness of federal agencies' reaction to reported audit findings as follow:

#### **Participant 1**

In Participant 1's experience with reporting single audit findings, the federal government does not always follow up with auditees on reported single audit findings on a timely manner. For instance, this participant explained that "it would take them on average, it just depends but, somewhere between 3 and 4 years." For an example, he discussed one specific instance of the federal government's slow response to findings he reported in one of his single audits in the year 2010 stating "at the federal level, again, it took them, even though it was all turned in by December 1st of the year that was being audited, it took them until May to address the agency they gave the funding to. May of 14. So, again, not timely." Participant 1 suggested that the federal government's reaction, if any, would not have an impact on auditees because the reaction comes too late: "if it's happening, it's happening way too late to have any kind of an impact."

#### **Participant 2**

For her part, participant 2 indicated that in her experience, the federal government has responded to reported single audit findings within 12 months: "I would say though, if I get a call; if I am going to get a call, I would get it within about 6 months to 8 months of having released

the report. It's not immediate usually. But, it's usually within 12 months.” She also observed that the findings do not affect the federal government’s decision to award additional funding to grantees on whom auditors report single audit findings. Participant 2 stated “So in the end as far as the direct consequences, I really think it, I don't think it ever affects often the amount of money that gets awarded.”

### **Participant 3**

In discussions with participant 3, he shared that single audit findings do not affect the auditees’ future funding levels. From his perspective, “we don't see a whole a lot of reduction in future funding.”

### **Participant 5**

Participant 5 expressed frustration with the federal government because of its lack of action. He explained that he rarely receives feedback from federal grantors: “I'm not even sure that they really pay attention to that. People even at the federal level, I don't know if they're even reading these findings. There's no reporting back to us or that I've seen. Rarely do I see any kind of feedback that they've read those findings and have taken any kind of action to work with the organization.”

According to participant 5, “the granting agency or any user of the single audit report does not seem to react to these findings.” Participant 5 found himself in a position of reporting the same findings year after year. For this participant “the frustrating part is that year after year you're still reporting the same issue. The next year you'll write them again, and again, and again.”

### **Participant 6**



Participant 6 reflected on the fact that “the federal government does not have enough resources and what they do have don't work hard enough to effectively oversee all of the organizations that are provided federal awards across the country.” She also observed “it's apparent that there are no effective oversights and there are no sufficient consequences because you do see situations where findings get repeated for several years in a row and there are no consequences and so the system isn't working the way it should.”

### **Participant 7**

This participant’s description of her experience with reporting single audit findings revealed that federal grantors do not reduce funding for grantees whose single audit reports show findings. Participant 7 explained “I've never seen or heard from any federal agencies about findings that I issued. I can tell you in my experience when I have seen and issued finding, I don't see a drop in funding this next year.”

### **Participant 11**

Participant 11’s experience is that recipients of federal grant awards never suffer consequences when auditors report single audits findings. He explained, “early in my career I was always surprised that the number and magnitude of findings we had on the federal level were never subject to consequences.” He asserted that it is very rare to hear back from the federal government regarding reported findings and said: “it's very rare that I've heard back from a federal agency or what their responses to findings are. I've never received a follow-up from any agency with questions.”

### **Participant 12**

Participant 12 spoke of his experience stating “there have been some findings that specifically stick out in my mind that almost right at the level of fraud, and there have been

literally no consequences to my knowledge.” He further explained that he never saw a reduction in future funding for his clients who had single audit findings in single audit reports. He said “in terms of consequences, I haven't really seen anything where funding has been reduced or taken away because of these findings that we reported.”

## Theme 2: Auditors' increased work due to auditee's findings

The researcher developed the following textural descriptions based on each participant's accounts of his or her experience of the consequences of reporting single audit findings.

### **Participant 3**

Responding to the interview question on the direct consequences of reporting single audit findings participant 3 stated “you would come in and do additional audit work or something like that.”

### **Participant 4**

According to participant 4, “the consequence to the auditor is now a high-risk auditee.” Furthermore, participant 4 explained “overall, the findings, the findings I think can have a negative impact on the auditor because now we are doing more work for the same amount of money.”

### **Participant 5**

Participant 5 pointed out that the auditor is expected to do more work when he audits a high-risk entity. He explained “it seems to me that more and more responsibility is put upon auditors to do things differently, look at things differently, take it more seriously, do more, do more, do more.”

### **Participant 7**

Participant 7 expressed concerns over the need to do more work as a result of prior year single audit findings. She conveyed her message saying “it's a concern and it means we have to do additional test work over that area because that area isn't as strong as it should be.”

### Theme 3: Clients change auditors when findings are reported

Auditors interviewed in connection with this present study provided insight into the auditors' experience dealing with management's decision to change auditors as a result of reported single audit findings.

#### **Participant 5**

On this theme, participant 5 shared the undesirable consequence he has experienced from reporting single audit findings. He asserted “I think we have lost clients because they think they're being too picky on things or that they would rather just not have the stress of you telling them, maybe from their side, they think that they change auditors looking for a different answer.” He added, “when you write these things up then you lose clients because they get frustrated with you for picking on them, or reporting.”

#### **Participant 6**

In reference to the possibility for an auditor to be fired by the audited entity for reporting single audit findings, participant 6 indicated that losing a client is not always detrimental to auditing firms that have a diversified client base. She said, “and so if you get fired by one because of doing the right thing then that's okay because you only lost one or two percent of your revenue at the most. So, it's easy to be principled when you're not putting your total income at jeopardy.”

Theme 4: Single audits serve as a deterrence tool, not an enforcement tool. The focus of single audits is on form not substance, and, it consists mainly of busy work of filling out checklists.

Interviewed auditors' perceptions of the OMB Circular A-133 requirement to ensure that the data collection form is properly prepared consisted of the following:

### **Participant 2**

Participant 2 was encouraged by the idea that auditors serve as watchdogs and; therefore, through single audits, auditors are able to deter abuse or mismanagement of federal grant awards. She asserted "because we are a watchdog; so, if you want to make sure, at least, it helps to minimize the abuse. I won't say to resolve the abuse in the program. They want to make sure that people are spending the money appropriately and it's an efficient way to do that." She also advanced the idea that "clearly, the individuals that get the money, they know there is a watch dog looking at them" in support of auditors' role of watchdogs.

### **Participant 4**

Participant 4 also expressed the understanding that single audits are necessary because these audits serve as a deterrence. In this participant's view, "the single audit requirement might work as a deterrent, as a preventative thing." She explained that when a person knows that her organization is subject to single audit, she may say "hey, let's not get in trouble." According to participant 4, "somebody is doing the right thing because they are afraid that there's something bad that's gonna happen" as a result of the single audit.

Participant 4 also pointed out that users of single audit reports seem to care more about the form of the single audits and less about the substance. She explained, "we get it presented

right on the data collection form and everything is filled out the right way. I don't expect anything to come from it. And, that's really what it is. It is more of a compliance of filling out all these work papers.”

#### **Participant 5**

For Participant 5, single audit reports are simply “paperwork with no importance.”

#### **Participant 6**

Participant 6 liked the fact that single audits work as a deterrent rather than an enforcement tool. She argued that “it's just that what the federal government should be doing, preventative measures instead of reacting to situations that are just ridiculously out of control.” Participant 6 also stated, “in my mind, the process that exists is not perfect but it's better than having no system of monitoring at all. I believe that it's better than leaving the monitoring to the federal government because they've proven time and time again that they aren't very good at monitoring.” Furthermore, participant 6 criticized the single audit process as “just a bureaucracy that they learned from the federal government and they don't do a remarkably better job.”

#### **Participant 8**

In participant 8's view, the single audit plays a critical role in ensuring that recipients of federal awards comply with the terms of the awards. She explained that “an audit does provide a level of assurance that the money is being spent accordingly.” In addition, participant 8 thinks “that's why it's done. It's just to make sure there's not all sorts of fraud going on, all sorts of mismanagement.”

According to participant 8, “it's very useful from the standpoint that ultimately you're having this independent CPA firm come in and look over a good chunk of your record; and, they're looking over your internal controls and your compliance issues; and, that in itself I think

keeps people in check. Having an independent party look over your shoulder, it makes entities stay on their toes.” For participant 8, “without a single audit, if these entities that spend over half a million dollars in federal funds weren't properly audited, ... mismanagement, fraud, would happen.”

### **Participant 11**

Participant 11 agreed that single audits serve as a deterrent. He shared his experience saying “from my experience, I've never really heard much back from the feds, I think it does help at least from a perception standpoint. It helps the grantee and keeps them in line.” He recognized that “at least the thought that somebody is watching and putting in the audit... that's the essential purpose” for single audits.

## **2. Composite Textural Description**

Based on the review of participants’ textural descriptions provided above, the researcher developed a composite textural description interpreting the common feelings amongst all the participants. Auditors interviewed in connection with the present study have expressed disillusion with the single audit process as a whole. Most importantly, the auditors share the feeling that the single audit report is not used by grantors who are responsible for the oversight over the expenditures of federal grant awards. In fact, consistent with the findings of the GAO’s examination of audits performed under the Single Audit Act of 1984 for expenditures of federal grant awards by various states that administer TANF programs, the consensus amongst this study’s participants is that grantors from the federal government do not analyze the single audit reports in such a comprehensive manner to effect consequences for reported single audit findings to the grantees (Nilsen, 2002).

## APPENDIX E. STRUCTURAL DESCRIPTIONS

The researcher presents below selected structural descriptions of research participants' time, space, and relationship to self and to others.

### 1. Relationship to time

#### **Participant 1**

Participant 1 is an experienced auditor of expenditures of federal grant awards and has been conducting single audits for the last 12 years. In his auditing career, he has held positions of staff accountant, senior auditor, and owner/partner. Currently, he is the sole proprietor of a small accounting firm that employs 4 to 6 professional accountants. Participant 1 has reported single audit findings numerous times and has had to explain and defend his reporting of single audit findings to both his clients and the clients' respective federal grantors.

#### **Participant 2**

Participant 2's career path has consisted of her employment at various international accounting firms where she started as a staff accountant and advanced to the position of a partner. Participant 2 has performed single audits as a staff auditor, senior auditor, manager, and partner. In the last 25 years, she has audited expenditures of federal grant awards for a diverse set of clients including small and large nonprofit organizations and, state and local governmental entities both small and large.

#### **Participant 3**

Participant 3 has been an auditor for at least 30 years. His work experience includes positions of staff accountant, senior auditor, manager, and partner at regional and national accounting firms. With respect to single audit, participant 3 has provided senior and manager level supervision to staff members of his firm's single audit teams. He has also been responsible

for communications between his firm and his single audit clients with the federal granting agencies regarding reported single audit findings.

### **Participant 5**

Participant 5 has worked in both public and private accounting settings. He worked for a local governmental entity where he was responsible for coordinating single audits with that entity's auditors. He also worked in local public accounting firms where he conducted several single audits for nonprofit organizations and local governmental entities. He has at least 15 years of single audit experience and is currently an audit manager for a small local CPA firm.

### **Participant 6**

This participant's over 30 years accounting career started at a small sole proprietor CPA firm where she held the positions of staff accountant, senior auditor and audit manager. She was the manager responsible for the planning of single audits and for the supervision of senior auditors and staff auditors who executed her single audit plans both in the field and at the office. In addition to her employment at a sole proprietor CPA firm, participant 6 worked for a regional CPA firm as a manager and advanced to the position of a partner for that regional firm. As a partner, participant 6 has had to explain and sometimes defend her firm's reporting of single audit findings in her communications with both the firm's clients and federal funding agencies.

### **Participant 7**

Participant 7 is currently a partner at a national accounting firm where she has been employed in various positions for the last 20 years. In her roles with the firm, she has directed single audit activities in connection with her firm's audits of nonprofit organizations and, state and local governmental entities.

### **Participant 11**



Participant 11 has a combined 15 years government accounting work experience as both a government auditor and auditee. In his work as an auditor, participant 11 conducted single audits of state and local governments and was responsible for the preparation of single audit reports and the reporting of single audit findings. As an employee of a governmental entity receiving federal grant awards, participant 11 was the auditee and was responsible for the coordination of single audit with the entity's external auditors. In this role, participant 11 often needed to respond to auditors' single audit findings and prepare a corrective action plan for his government employer.

### **Participant 12**

Participant 12 started his accounting career approximately 15 years ago at a small local CPA firm immediately after graduating from college. His first experience in auditing consisted of single audits of nonprofit organizations and small local governments that received federal grant awards. Participant 12 later joined the auditing staff of a larger regional accounting firm as a senior auditor and advanced to the position of a partner. Participant 12 has performed single audit test work and reported single audit findings on several of his single audit engagements.

### **Participant 4**

During the researcher's interview of participant 4, the researcher learned the focus of Mary's auditing career has been the audit of large nonprofit organizations. According to participant 4, her large nonprofit clients have occasionally needed to have single audits in order to comply with grant requirements regarding funding from the federal government. While participant 4 has over 20 years of accounting and auditing experience, she has only conducted approximately 5 single audits within the last 3 years. Participant 4 is currently a manager at a regional accounting firm and as a manager, she has had the responsibility to review her firm's

documentation of single audit test work and of finalizing and reporting single audit findings. She has also facilitated communication between her nonprofit clients and various federal grantors regarding reported single audit findings.

### **Participant 8**

Participant 8 described her experience in terms of her 10-year employment as audit manager at a regional CPA firm and her becoming a partner at a small local CPA firm 5 years ago. Participant 8 has extensive experience in single audits from her previous role of an audit manager and in her current position of a partner in a local CPA firm. In her experience, she has conducted single audits for nonprofit organizations and, state and local governmental entities. Most of these single audits have resulted in the reporting of single audit findings as part of the reporting packets she submitted to the federal clearinghouse on behalf of her single audit clients.

### 2. Relationship to space

### **Participant 1**

The environment in which participant 1 practices accounting and auditing is that of a small sole proprietorship firm. As the owner and partner of a small accounting firm, participant 1 sets the tone and shapes the culture of his firm. Participant 1 determines the proper allocation of his firm resources for services that his firm provides to various clients and particularly to single audit clients. As indicated in previous sections of this study, single audits require significant amounts of effort and resources in order to ensure compliance with auditing guidance outlined in OMB Circular A-133 on the basis of the Amended Single Audit Act of 1996. This obligation to allocate a significant portion of limited firm resources to single audits creates an environment full of pressure. Leicht and Fennell (1997) describe this kind of pressure as pressure for revenue generation and accountability to the state (p. 219). Furthermore, the stringent rules and

legislation of single audits that are put forward by the government reinforce the importance of the technical qualities and fiduciary responsibilities of the accountants (Lander, Koene, & Linssen; 2013) and place a significant amount of pressure on small accounting firms with limited resources who struggle to remain profitable with respect to the single audits they perform. Auditors operating under such pressure develop conflicting perceptions regarding the audit function's important public interest role (Coram & Robinson, 2017).

### **Participant 2**

This participant's work environment in an international accounting firm allows her to operate in an international arena, dealing with multinational clients in a supra-national arena (Lander, Koene, & Linssen; 2013, p. 146). In this international context, participant 2's attitude and perception reflect the new commercial business model that the big 4 international accounting firms have developed for their operations (Lander, Koene, & Linssen; 2013, p. 146). According to this commercial business model, the professional accounting firms' approach to providing services to clients emphasizes profit and commercial gain. These firms focus more on the market value of knowledge and expertise than on obligations of public duty (Suddaby, Gendron, & Lam; 2009).

### **Participant 3**

In his role of a partner at a big national firm, participant 3 watches out for his firm's ability to generate revenues and remain profitable. For this reason, participant 3 views the additional work required in single audits as opportunities for additional revenues. In his interview, participant 3 pointed out that reported single audit findings cause the auditee to be considered a high-risk auditee for subsequent single audits. Additionally, he explained that OMB Circular A-133 requires auditors to perform additional test work when auditing federal

expenditures of grant awards for a high-risk entity. Consistent with the big firms' adoption of the commercial model which pushes for the generation of revenue and the consequent importance of "rainmakers" within accounting firms (Coram & Robinson, 2017, p. 106), participant 3 sees the additional work required in auditing high-risk entities as new opportunities for his firm to generate additional revenues and to ensure profitability.

### **Participant 5**

As Suddaby, Gendron & Lam (2009) point out, "more than any other profession, accountants have become embedded in organizational settings" (p. 410). Consistent with the assertion that accountants in the smallest public accounting firms express strong identification with core professional values (Coram & Robinson, 2017, p. 107), the small local CPA firm organizational setting offers participant 5 a good environment for him to solidify his belief in the accountants' core value of independence. Louis believes that auditors of expenditures of federal grant awards serve a higher social function and espouse values of autonomy and independence (Suddaby, Gendron, & Lam; 2009, p. 414).

Furthermore, participant 5 views the federal government's push to put more responsibility upon auditors to do things differently and to do more work as the federal government's attempt to take control of the auditors' professional work. In fact, Leicht and Fennell (1997) argue that change in control threatens professional autonomy and those threats impinge on multiple levels of professional work, from the terms of work to the conditions and content of work (p. 200).

### **Participant 6**

Participant 6's professional career in a regional CPA firm has been shaped through socialization processes and generally accepted professional norms that define what "typical" and

“distinguished” professional careers look like (Leicht & Fennell, 1997, p. 216). These processes and norms have influenced this participant’s perception of environmental pressures associated with performing single audits. Participant 6 views the federal grantor agencies as a bureaucracy that hinders the government’s ability to achieve its goal of monitoring expenditures of federal grant awards by nonfederal recipients of those grant awards. Following this line of thought, participant 6 believes an auditor carries out her duty to protect public interest by conducting single audits that serve as a deterrent to possible misuse of federal grant award funds by the nonfederal award recipients.

### **Participant 7**

As a partner in a national accounting firm, participant 6 strives to create an environment where she and her staff are able to effectively manage work related stress that result from the demands of single audits. This participant’s views reflect the notion that auditors who report single audit findings experience stress from interactions with others in the accounting firm, as well as with individuals outside the firm, such as clients and governmental agencies (Collins, 1993). To this effect, participant 6 devotes significant time and effort into assisting her firm to effectively organize itself in terms of strategy, structure, systems and processes. (Lander, Koene & Linssen; 2013, p. 138). In this effort, participant 6’s firm strategically hires and maintains a staff of professionals who have previously worked in government institutions, who are familiar with the bureaucratic processes of government institutions and have experience in navigating the regulatory environment of the federal government. In addition, participant 6’s firm exploits technological advances in the auditing field to efficiently allocate resources to meeting the demands of single audits. In fact, using sophisticated accounting and auditing software, participant 6’s firm seeks to establish work routine, by partitioning work into component parts

and through highly specialized and formalized role structures (Suddaby, Gendron, & Lam; 2009).

### 3. Relationship to self and to others

#### **Participant 1**

Participant 1 perceives himself as an ethical auditor and is committed to preserving his professional reputation within the community of professional accountants, accounting and regulatory organizations, and the various stakeholders of the single audit process. Participant 1 believes that the observed lack of reaction by the federal granting agencies to the reported single audit findings causes her to doubt herself. According to participant 1, “What it does indirectly is it creates, maybe not for all auditors, but for me, doubt in my mind about why we even do what we do. what's the point? Nobody, nobody looks at it. Nobody cares!”

Reflecting on one of his experiences, participant 1 explained, “Right, and I have to tell you this for, it was a good year, a year that I spent wondering why the heck are you even in this job. What is the point? You know we have a hard enough time in this profession just keeping people passed that 2 year mark; and now, when you get to the point of writing reports you realize that no one cares or no one is looking at them, go find another career, that's what we all think.”

#### **Participant 2**

Participant 2 described herself as a member of a watchdog group, the community of auditors, that works on behalf of the federal award granting agencies to make sure that grant award recipients are spending the money appropriately. She shared that in her basic social conscious, she believes being a part of the process through which the funding comes to the beneficiaries of federal programs makes a big difference for her. She affirmed, “I feel like we're at least, nice to be part of that process because I want to see people get helped and I want to see

those monies get distributed in, it's hard to say efficient manner, but in as efficient manner as possible.”

Nevertheless, participant 2 also observed that “the federal government is not an active participant in the single audit process on the front side.” She stated, “on occasions we have tried to reach out to them to get clarification on matters. But, the reality of what I found out, unfortunately, is when you do that, you call somebody here, your local contact and ask them is this a problem? And that local contact, well, it could be, but a lot of times they would say they don't want to get in trouble either. You have to be at the right level in the organization which basically is someone in Washington D.C. at the right level to make that determination.”

With regards to her relationship with her single audit clients, participant 2 suggested that “there is always resistance to the findings.” In her experience, “routinely, clients say, you know, I don't think you quite understood what I do. Let me show you what I am really doing here and you may find either you weren't talking to the right person or, you know, instead of having 1 or 2-year people doing this; sometimes, because it's younger folks maybe they don't ask the right questions. They don't know.”

Participant 2 believes that “most clients want to understand what happened.” In this line of thought, she conveyed that in her discussions of findings with clients, “on routine basis the findings are fixed before they even get to the report.”

### **Participant 3**

Participant 3 echoed the general sentiment from other participants in saying that his hope would be that the cognizant agency would work with those clients or demand that those clients get the findings corrected. He added, “If they are really that important that you would ask to be

audited each year, then it should be important enough that if they continue to have findings that they are following up on it.”

In this participant’s view, the federal granting agencies should communicate directly with grant recipients regarding reported single audit findings. He explained that “it's more appropriate to have the communication go to the client.” Participant 3 believes that an auditor must remain independent in her relationship with her clients’ management; therefore, an auditor should not in make any changes for his clients in response to the reported findings. He pointed out that clients are the ones that can make the changes. Participant 3 acknowledged that he and his colleagues expect a client to look into the findings, to make sure that she understands those findings and, to voice her position on the findings. According to participant 3, “sometimes you will have, I wouldn't say disagreements; but, a misunderstanding of the facts and everything.” In this participant’s experience, higher level client management staff often clear up auditors’ misunderstandings of information provided to auditors by lower level client staff who sometimes do not have the full understanding of their organization’s management process for federal grant awards. In fact, participant 3 explained that his clients are very proactive with regards to single audit findings and, in most cases, are trying to better the organization’s processes.

### **Participant 5**

Participant 5 explained that his single audit clients consider him a messenger of bad news when he reports single audit findings. He regrets that his clients indirectly blame him and his firm for pointing out problems in their management of federal grant awards and feels that this sometimes creates a stressful situation for him.

Participant 5 discussed the disappointments in his relationships with both the federal grantors and his single audit clients. According to participant 5, auditors “get scrutinized a lot



tougher than the agencies that are spending the money.” He suggested that the federal government is “more concerned with monitoring the auditors as to whether the auditors are doing a good job auditing rather than looking at the auditees and trying to have an impact over there to ensure that the federal moneys are being used correctly and that the auditees are able to have staff that are well trained, educated, and have the skill sets necessary to run these programs.” In his view, “when things are broken and things aren't the way it's supposed to be, the federal government needs to step in and fix it themselves and stop telling us that we're failing to do things when it's not really us that are failing to do things.”

### **Participant 6**

Participant 6 relies on her good relationship with clients to help her clients “eliminate some or all of the findings as result of the actions they take during the process of the audit.” Participant 6 considers herself “an objective advocate” for her clients. She stated, “that is part of what my role of an auditor in my mind is. Certainly, I want to be objective and I am going to comply with the professional standards and report all the information that should be reported.” Participant 6 believes she can better fulfill her responsibility of auditing expenditures of federal grant awards by working with her clients to avoid some severe consequences for audit findings. According to participant 6, “If I can help my client do the right thing where I don't have to report a finding then why wouldn't I do that?” Participant 6 also discussed the possibility for some of her clients to fire her if she reports single audit findings. In this case, participant 6 says “I can sleep at night. I feel good about my actions during the day. And, the good thing about most CPA firms is that it's not our only source of income. Typically, there are some CPA firms that have very large clients and that one client is very material to their organization. But, most audit firms, at least the higher quality ones, they don't have just a few clients. They have a lot of clients. And

so, if you get fired by one because of doing the right thing then that's okay because you only lost one or two percent of your revenue at the most. So, it's easy to be principled when you're not putting your total income at jeopardy. In general terms, we can be principled and objective and do the right thing because we're never putting ourselves at remarkable risk by doing that. Whereas an employee within an organization or within any government, they can put themselves at a remarkable risk and be out of 100% of their income.”

With regards to her peers, other auditors of federal grant expenditures, participant 6 expressed concerns about the apparent lack of proper oversight within the accounting profession. According to participant 6, “There are no consequences to people that aren't doing what they're supposed to do. It's a lack of accountability within all people involved.” Participant 6 conceded that “to a great extent, the CPA profession is not perfect, and it needs to improve its oversight to where all auditors are substantially equal and the peer review process within the profession is such that peer review is consistent for all auditors.” Participant 6 observed that since “poor quality firms get reviewed by poor quality peer reviewers and, high quality firms get reviewed by high quality reviewers, they both get a passing grade.” However, according to participant 6, “as far as the public is concerned they are both equal even though in reality there are big differences in the quality of audits among various CPA firms.” Participant 6 reflected that “to some extent it has to do with size, but that's not necessarily the case. There are good small firms, good large firms, good in between firms, and there are poorer ones. It would be nice if all audits were equal to where the state organization or a tribe or anybody who hires an auditor gets an audit that is performed fully or substantially in accordance with the professional standards.” Participant 6 criticized the bidding process for single audits and indicated, “what aggravates me is when we have to submit bids and we're bidding against a firm that does half as much work as we do and

proposes half a fee of what we would, is that fair results?” For participant 6, her performance of single audit engagements is “a matter of integrity.” She claims that “If people don't have the integrity to live up to the professional standards then they're not someone we want at our firm. So, we can't be concerned about what our competitors do. We have to do what is right.”

### **Participant 7**

In discussing her relationships with single audit clients, participant 7 pointed out that clients' staffing changes create a huge challenge for her firm and that “a lot of times a finding is the result of the fact that there was turnover and people didn't transition the responsibility appropriately.” For instance, as she explained, “the grant may not be implemented properly because person A left the position and then somebody comes in just to fill the position temporarily; but, that person who comes in and fills the position temporarily doesn't really know all there is to know about the grant because he or she is only in a temporary position.” For this reason, participant 7 advises her clients to ensure that “anytime anybody is working with federal funding, they must know that grant agreement word for word in order to be doing any sort of work with it.” However, participant 7 also recognizes that she cannot be certain of whether or not her single audit clients take her advice and require employees to read the grant agreements. Participant 7 insisted that it is not auditors' responsibility to educate and train clients' staff on single audits. In her view, auditors' responsibility is to conduct an audit and to provide findings and opinions.

With regards to her relationship with the government, participant 7 expressed confidence in her ability to achieve the goals of single audits for her role. In fact, she stated, “I do feel we are accomplishing our purpose in that the government does want to know how the entities are spending the money, and I believe that that is absolutely accomplished. What the federal agency

chooses to do with the information we provide is completely out of our control, but any member of the public can search the result of any single audit finding on a web database, and learn any information they want, so it's all completely public. What happens to the entities after we provide the information is out of our hands.”