

2024 Compliance Supplement Update

JUNE 27, 2024

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



With You Today



LEE KLUMPP

National Nonprofit and
Government Professional
Practice Principal

410-423-4591

lklumpp@bdo.com



TAMMY RICCIARDELLA

Nonprofit Industry
Assurance Technical Director

301-354-2520

tricciardella@bdo.com



SAM THOMPSON

Government Industry
Assurance Technical Director

907-646-7318

sthompson@bdo.com

Learning Objectives



Explain the changes to the 2024 OMB Compliance Supplement and the impact on auditee processes and procedures and the Single Audit.



Describe the impact of the changes in the 2024 OMB Compliance Supplement on the major program determination and updates to the guidance for the key compliance requirements.



At the course's end, the participants will be able to describe the transition and implementation considerations for the new guidance relevant to their Single Audit requirements.



What is the OMB Compliance Supplement?



What is the OMB Compliance Supplement?

The Office of Management and Budget (OMB) Compliance Supplement is a key document published annually by OMB that assists auditors in performing single audits of entities that expend federal funds. It is designed to help auditors understand federal program objectives, procedures, and compliance requirements, as well as to provide guidance on auditing these programs.

The Compliance Supplement is updated annually to reflect changes in federal programs and auditing practices. It is a critical resource for auditors to ensure that their work is consistent, thorough, and aligned with current federal requirements. By providing a standardized approach to auditing federal programs, the Compliance Supplement helps to promote accountability and effective management of federal funds across a wide range of entities and programs.

Who uses the OMB Compliance Supplement?

While the OMB Compliance Supplement is primarily designed for auditors conducting single audits under the Single Audit Act and the Uniform Guidance, its utility extends beyond just the auditing community. The document is also valuable for several other groups:

Auditees (Recipients of Federal Funds)

Entities that receive federal funds, such as states, local governments and Indian Tribes, nonprofit organizations, and institutions of higher education, can use the Compliance Supplement to better understand the federal requirements they must adhere to. It helps them prepare for audits by identifying the compliance areas and internal controls that auditors will review. This knowledge can assist in ensuring that their management of federal awards is in line with federal expectations, potentially reducing findings of noncompliance.

Federal Grant Managers and Program Officials

These individuals can use the Compliance Supplement as a reference to understand the audit process and the specific requirements auditors will be testing against. This understanding can improve the design, implementation, and monitoring of federal programs to ensure they meet their objectives while complying with statutory and regulatory requirements.

2024 Revised Uniform Guidance



2024 Revised Uniform Guidance (UG)

- ▶ OMB issued final revisions to the UG (2 Code of Federal Regulations (CFR) 200) in a [Federal Register \(FR\) notice](#) on April 22, 2024
- ▶ A [redline document](#) showing the UG revisions is also available with several [reference guides](#)
- ▶ The effective date of the UG changes stated in the FR notice is for contracts issued on or after October 1, 2024
- ▶ Federal agencies can apply the new guidance prior to October 1, 2024, but they are not required to do so
- ▶ Federal agencies cannot apply the new changes prior to June 21, 2024
- ▶ Many thresholds will change once the 2024 UG is effective
- ▶ This may cause confusion as current awards may be under previous guidance while new awards issued on or after Oct. 1, 2024 will be subject to the revised provisions
- ▶ Auditees will have to be aware of all the updates in the UG and apply these correctly to new awards
- ▶ This will likely require a significant amount of time to understand the changes that affect their awards and to train employees
- ▶ Need to familiarize yourself with the updated UG
- ▶ The updates to the UG permit federal agencies to grant extensions for the Single Audit completion

OMB Proposed Changes to 2 CFR 200

OMB made changes to the following Parts within 2 CFR Parts

- ▶ 1, About Title 2 of the Code of Federal Regulations and Subtitle A
- ▶ 25, Universal Identifier and System for Award Management
- ▶ 170, Reporting Subaward and Executive Compensation Information
- ▶ 175, Award Term for Trafficking in Persons
- ▶ 180, OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Non-procurement)
- ▶ 182, Governmentwide Requirements for Drug-Free Workplace (Financial Assistance)
- ▶ 183, Never Contract with the Enemy
- ▶ 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards



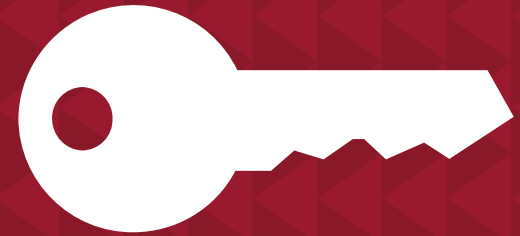
2024 Revised Uniform Guidance

- ▶ The electronic Code of Federal Regulations which houses the Uniform Guidance will be updated to reflect all the new revisions to the UG on October 1, 2024
- ▶ There is still uncertainty in whether the historical guidance will be maintained and if so, how, for audits of awards that were made prior to the revised effective date
- ▶ Entities that have awards under both versions of the UG will have to reach out to the representatives at the agencies making the awards to determine if the 2024 UG revisions can be applied to prior awards or if they need to follow two sets of guidance
- ▶ If the revisions to the UG cannot be applied to existing contracts before the effective date, entities may need to track awards separately to ensure compliance with appropriate guidance
- ▶ The 2024 Supplement does not incorporate the revised UG information



**We will discuss in more detail
later in the presentation**

Key Changes in the 2024 Supplement



Background and Effective Date

- ▶ Issued May 29, 2024
- ▶ Effective for audits of fiscal years beginning after June 30, 2023
- ▶ Access the Supplement on OMB's Web site at <https://www.whitehouse.gov/omb/office-federal-financial-management/current-compliance-supplement/>
 - A single PDF file is available
 - A version broken down by section is also available. The various Parts and Appendices can be accessed individually and the various agency sections in Part 4 are posted in separate files



Supplement Sections and Titles

- ▶ Table of Contents (TOC)
- ▶ Part 1, Background, Purpose and Applicability
- ▶ Part 2, Matrix of Compliance Requirements
- ▶ Part 3, Compliance Requirements
- ▶ Part 4, Agency Program Requirements
- ▶ Part 5, Cluster of Programs
- ▶ Part 6, Internal Control
- ▶ Part 7, Guidance for Auditing Programs Not Included in This Compliance Supplement
- ▶ Appendix I, Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200
- ▶ Appendix II, Federal Agency Codification of Government-wide Requirements and Guidance for Grants and Cooperative Agreements
- ▶ Appendix III, Federal Agency Single Audit, Key Management Liaison, and Program Contacts
- ▶ Appendix IV, Higher Risk Designation [**Renamed in 2024**]
- ▶ Appendix V, List of Changes for the 2024 Compliance Supplement
- ▶ Appendix VI, Program-Specific Audit Guides
- ▶ Appendix VII, Other Audit Advisories
- ▶ Appendix VIII, Examinations of EBT Service Organizations
- ▶ Appendix IX, Compliance Supplement Core Team

What to Expect for 2024 Single Audits

2024 Compliance Supplement has a significant amount of changes

- ▶ Part 2 Matrix has more changes than usual
- ▶ Several changes to Part 3, Compliance Requirements
- ▶ Part 4 has several new programs from the Departments of Agriculture, Commerce, Transportation, Health and Human Services and the Environmental Protection Agency
- ▶ Part 4 also has more programs being deleted than in previous years
- ▶ Part 4 has programmatic changes to many audited programs



What to Expect for 2024 Single Audits

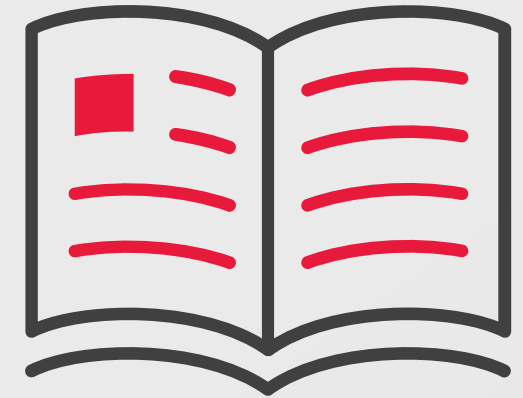
- ▶ Part 5, Other Clusters has a new cluster and other changes to existing clusters
- ▶ Appendix IV has a shorter list of higher risk programs this year
- ▶ Appendix VII has significant updates

Bottom line: With these changes to the Supplement and the updated 2024 Uniform Guidance auditors and auditees will need to be very vigilant.



Appendix V Is a Starting Point

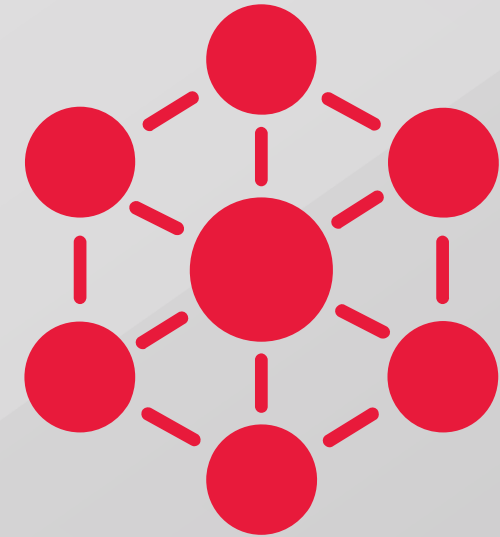
- ▶ Similar to the 2023 Supplement, Appendix V provides a high-level summary of changes made in each of the Parts and Appendices
 - Only identifies Assistance Listing (AL) numbers with changes
 - Thus, you need to refer to the program sections themselves for details of the changes
- ▶ Auditees and auditors will need to do more to understand the changes made in various Parts, Appendices, and program sections
 - Running comparisons between the 2024 and 2023 Supplement sections is a best practice (access 2023 sections broken down by Part on the OMB [website](#))



**Important to read the
full Supplement!**

PART 2

Matrix of Compliance Requirements



PART 2

Matrix

Identifies changes to requirements subject to audit

- ▶ Requirements that were changed from a “Y” to a “N” or from a “N” to a “Y” since the last Supplement are shown in bold (and highlighted in yellow) in the matrix
- ▶ New programs are identified as “(new)”
- ▶ Programs or clusters that have been deleted are noted with “(delete)”
- ▶ Blue highlight notes a correction to the table (not a change in the requirements in Part 4)
- ▶ **REMINDER:** 6-requirement mandate continues with 2 exceptions: R&D Cluster and the HHS Child Care Disaster Fund Cluster that allows 7 requirements



PART 3

Compliance Requirements



PART 3

Introduction

- ▶ Clarification to definition for Improper Payments
- ▶ Language changed to:
 - For purposes of producing an estimate, when the agency cannot determine, due to lacking or insufficient documentation, whether a payment is proper or not, the payment shall be treated as an improper payment



PART 3

Equipment and Real Property Acquired Under Federal Awards

- ▶ Clarification to “Disposition of Real Property Acquired Under Federal Awards”
- ▶ Noted that the audit procedures in this section are relevant to all non-federal entities, including states

PART 3

Procurement Changes: Build America Buy America (BABA) Act

- ▶ BABA established a domestic procurement preference for all federal financial assistance obligated for infrastructure projects after May 14, 2022
- ▶ Added to the 2023 OMB Compliance Supplement for the first time
- ▶ Modifications in the 2024 Supplement added:
 - Updated citation references
 - Clarifications to regulatory requirements
 - New suggested audit procedure added:
 - For each agreement selected where a waiver was not applicable, review the non-federal entity's documentation supporting that it monitored a contractor's compliance with BABA domestic preference provisions in the agreements.

The 2023 Supplement procedure added was retained to test whether the non-federal entity included the BABA domestic preference provisions in each agreement or obtained a BABA waiver.

PART 4

Agency Program Requirements



PART 4

Agency Program Requirements: Programmatic Changes

- ▶ Several new programs from various agencies
- ▶ Some of these new programs are being funded through the Infrastructure Investment and Jobs Act (IIJA)
- ▶ More programs deleted than usual, including several removed from clusters
- ▶ Primary reason for deletions is that OMB and the federal agencies have been working to identify programs that are not frequently audited and made the decision to remove them from the Supplement
- ▶ Reminder - if your program was deleted from the Supplement you will need to refer to Part 7 of the Supplement for determination of compliance requirements that are applicable and those subject to audit



PART 4

New Department of Agriculture Programs

NEW

- ▶ **10.181** - Pandemic Relief Activities: Farm and Food Worker Relief Grant Program (FFWR)
- ▶ **10.182** - Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments (LFPA)
- ▶ **10.185** - Local Food for Schools Cooperative Agreement
- ▶ **10.186** - Regional Food Business Centers
- ▶ **10.190** - Resilient Food System Infrastructure Program
- ▶ **10.331** - Gus Schumacher Nutrition Incentive Program (GUS NIP)

PART 4

Other New Programs from Additional Agencies

NEW

- ▶ **11.028** - Connecting Minority Communities Pilot Program
- ▶ **11.029** - Tribal Broadband Connectivity Program
- ▶ **11.032** - State Digital Equity Planning and Capacity Grant Program
- ▶ **11.033** - Middle Mile (Broadband) Grant Program
- ▶ **11.035** - Broadband Equity, Access and Deployment Program
- ▶ **20.326** - Federal-State Partnership for Intercity Passenger Rail
- ▶ **66.957** - Greenhouse Gas Reduction Fund: National Clean Investment Fund
- ▶ **66.959** - Greenhouse Gas Reduction Fund: Section 134(a)(1) - Zero Emissions Technologies Grant Program
- ▶ **66.960** - Greenhouse Gas Reduction Fund: Clean Communities Investment Accelerator
- ▶ **93.441** - Indian Self-Determination Program - IHS Contracts (now part of a new Cluster - 93.210/93.441)

PART 4

Programs Removed from the Supplement*

DELETED

- ▶ **10.500** - Cooperative Extension Service
- ▶ **10.511** - Smith-Lever 3(b) and 3(c), Smith-Lever Special Needs and University of DC Public Post-secondary Education Reorganization Act Program
- ▶ **10.512** - Agriculture Extension at 1890 Land-Grant Institutions Program
- ▶ **10.514** - Expanded Food and Nutrition Education Program
- ▶ **10.515** - Renewable Resources Extension Act (RREA) and National Focus Funds
- ▶ **10.516** - Rural Health and Safety
- ▶ **10.517** - Tribal College Extension Program and Special Emphasis, and Federally Recognized Tribes Extension Program
- ▶ **10.520** - Agriculture Risk Management Education Partnership Grants
- ▶ **10.521** - Children, Youth, and Families At-Risk
- ▶ **10.607** - Section 416(b)
- ▶ **14.235** - Supporting Housing Program
- ▶ **14.238** - Shelter Plus Care
- ▶ **93.545** - Consumer Operated and Oriented Plan (CO-OP) Program

* Excluding cluster changes discussed later

Q&A on Programs Removed from Supplement

QUESTION	ANSWER
If a program was removed from the Supplement, is the program still subject to audit?	Yes. Just because a program is removed from the Supplement does not mean it is no longer subject to audit.
If the program was removed from the Supplement and the compliance requirements are no longer identified in the Supplement in the Part 2 Matrix, how do I identify the applicable compliance requirements subject to audit?	If a program is not in the Supplement, auditors should use Part 7 to assess what compliance requirements are applicable. There is no limitation on the number of compliance requirements that might be applicable when using Part 7.

PART 4

Key Changes to Commonly Audited Programs*

*Based on number of reports filed with
Federal Audit Clearinghouse (FAC)



Education Stabilization Fund (ESF)



Child Nutrition Cluster



Coronavirus State and Local
Fiscal Recovery Funds (CSLFRF)**



Disaster Grants -
Public Assistance



Student Financial
Assistance (SFA) Cluster

**** This program is identified as
higher risk for 2024**

84.425

ESF

- ▶ Continues to be broken down into two sections covering the various ESF subprograms
- ▶ No changes or additions to the subprograms included this year
- ▶ Overall level of changes to this program were minor
- ▶ Since no longer a “higher risk” program, normal risk-based approach criteria to be used to determine if the program needs to be audited



**No longer considered a
“higher risk” program!**

Reminder: For major program purposes, auditors must evaluate all subprograms of 84.425 as one program

10.553/10.555/10.556/10.559/10.582

Child Nutrition Cluster

- ▶ Allowable Costs - description added that a School Food Authority must account for all revenues and expenses of its nonprofit food service in accordance with state and federal requirements and operate it on a nonprofit basis
- ▶ Eligibility for Subrecipients section was revised
 - Added guidance on how sponsors may determine eligibility of closed enrolled sites
 - Added guidance for non-congregate meal service sites
- ▶ Revisions made to the Special Tests and Provisions requirement
 - Accountability for USDA-Donated Foods updated for the inventory management compliance requirement
 - Removal of the verification of free and reduced-price applications
- ▶ Other Information section states that Food Nutrition Services is interested in ensuring that procurements adhere to federal standards regarding potential conflicts of interest and documentation and disclosure of less than arm's-length transactions



21.027

CSLFRF

- ▶ Substantive changes made partly to reflect updates to the [CSLFRF FAQs](#) and a 2023 [Interim Final Rule](#) issued by Treasury
- ▶ Three eligible use categories have been added to the objectives
- ▶ Updates made to refer to the Treasury guidance on the definition of “obligation”
- ▶ Source of governing requirements has significant revisions
- ▶ As a result of the new eligible use categories, updates were made to:
 - Activities Allowed or Unallowed
 - Allowable Costs/Cost Principles
 - Earmarking
 - Period of Performance
- ▶ Matching and Level of Effort compliance requirements are now subject to audit whereas they were marked as “n/a” in the 2023 Supplement
- ▶ Earmarking was applicable in prior year and is retained and new earmarking requirement added for new eligible use categories



**Continues as a “higher risk”
program**

CSLFRF

- ▶ Reporting added more explanatory information about the Project and Expenditure Report in the performance reporting section and clarified the capital expenditure line item
- ▶ Subrecipient monitoring added guidance for broadband infrastructure investment projects
- ▶ There are two sections for the program:
 - Audits of CSLFRF performed under the UG
 - The Alternative Compliance Examination engagement for certain eligible recipients



**Alternative Compliance
Examination Engagement
Retained as an Option**

New Eligible Use Categories

- ▶ Provide emergency relief from natural disasters or the negative economic impacts of natural disasters
- ▶ Use funds for Surface Transportation projects under certain programs administered by DOT
- ▶ Use funds for projects eligible under the programs established in Title 1 projects



21.027

Alternative Compliance Examination Engagement Retained

- ▶ Certain eligible recipients can engage a practitioner to perform a compliance examination engagement of the CSLFRF program
 - Use AICPA Statements on Standards for Attestation Engagements (AT-C section 315, [Compliance Attestation](#))
 - [Government Auditing Standards](#) (chapter 7, Standards for Attestation Engagements and Reviews of Financial Statements, focuses on attestation engagements)
- ▶ Practitioner tests narrowly scoped compliance requirements relating to A/B - Activities Allowed or Unallowed/Allowable Costs/Cost Principles
- ▶ Results in an examination opinion on compliance



21.027

CSLFRF Alternative Compliance Examination Engagement - Who is Eligible?

CSLFRF recipients that expend \$750,000 or more during the recipient's fiscal year in federal awards, and which meet **both** criteria listed below, have **the option** to follow the alternative CSLFRF compliance examination engagement

- ▶ The recipient's total CSLFRF awards received directly from Treasury or received (through states) as a non-entitlement unit of local government is at or below the \$10 million revenue loss standard allowance
- ▶ Other federal award funds the recipient expended (not including their direct CSLFRF award funds) are less than \$750,000 during the recipient's fiscal year



97.036

Disaster Grants: Public Assistance (Presidentially Declared Disasters)

- ▶ Updated to clarify that the award date and obligation date are terms used interchangeably by the Federal Emergency Management Agency (FEMA)
- ▶ The obligation and award for this program occur simultaneously for public assistance awards and subawards (see next slide)
- ▶ Updates were made to the Project Accounting Special Test and Provisions requirement to provide guidance on small projects
- ▶ Several links to FEMA and other guidance were updated



97.036

Disaster Grants: Public Assistance (Presidentially Declared Disasters)

- ▶ Other Information (excerpt from 2024 Supplement)
 - *Nonfederal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when*
 - (1) *FEMA has approved the nonfederal entity's Project and*
 - (2) *The nonfederal entity has incurred the eligible expenditures.*

FEMAs approval of a subaward is indicated when FEMA obligates the federal share of the eligible Project cost to the recipient. Federal awards expended in years subsequent to the fiscal year in which the Project is approved are to be recorded on the nonfederal entity's SEFA in those subsequent years.



Student Financial Assistance Cluster

- ▶ Activities Allowed and Unallowed compliance requirement is subject to audit for HHS programs within the cluster but is not subject to audit for Education programs
- ▶ Cash Management compliance requirement includes a revised description of Cash Management Program Requirements for Direct Loans - Monthly Reconciliations

- ▶ Clarifications and updates were made to Eligibility compliance requirement including a new requirement section for Pell Grants for confined or incarcerated individuals
- ▶ Revisions made to Reporting compliance requirement related to the Fiscal Operations Report and Application to Participate under Special Reporting

- ▶ A new Special Tests and Provisions requirement was added related to Institutional Eligibility
- ▶ Revisions made to the audit objectives and suggested procedures under other Special Tests and Provisions
- ▶ Reorganization of the SFA Handbook is also discussed

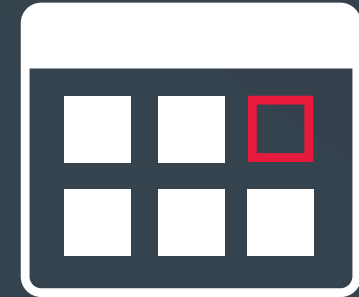
RELATED PARTIES

Student Financial Assistance Cluster

If Title IV funding (SFA) is received from the U.S. Department of Education (Education), you should be aware of the final regulation titled, [Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit \(ATB\)](#), which requires institutions participating in the SFA program, among other things, to disclose

- ▶ “All” related party transactions in their audited financial statements
- ▶ Details such as related party name, location and description
- ▶ The absence of related party transactions or outstanding balances

See specific language in 34 CFR 668.23(d)(1) and read [FAQs issued by Education on the above rule](#)



Effective date of the regulation is for financial statements submitted to the Department on or after July 1, 2024.

Note this is based on when “submitted”.

RELATED PARTIES

Student Financial Assistance Cluster

- ▶ The AICPA has developed and just released a TQA on the audit and reporting implications of the Education requirement
- ▶ Discusses two options for the auditor depending on how an institution presents the additional related party information
 - The related party disclosure addressing both GAAP and the Education requirement is covered by the auditor's opinion
 - If the auditor is unable to obtain sufficient appropriate audit evidence about the related party disclosure, modification to the auditor's opinion may be necessary
- ▶ The information to meet the Education requirement is clearly differentiated and not covered by the auditor's opinion
 - The separate note containing the Education-required information would be marked unaudited



TQ AVAILABLE HERE ▶

RELATED PARTIES

Student Financial Assistance Cluster

Auditor considerations discussed in the TQA when the related party disclosure is covered by the auditor's opinion

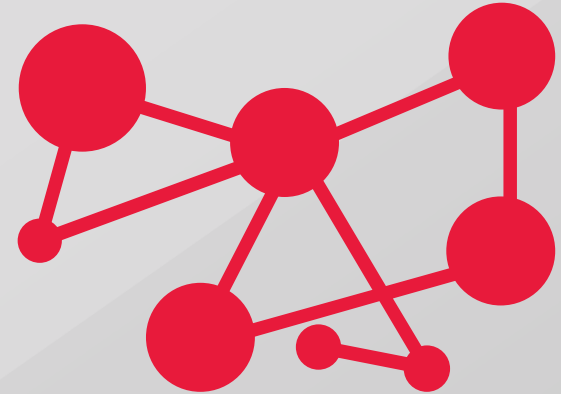
- ▶ Procedures in AU-C Section 550, *Related Parties*, may be adapted as appropriate for the additional disclosures
- ▶ The auditor should make inquiries of management and others and perform other risk assessment procedures to obtain an understanding of controls
- ▶ The auditor may consider establishing a lower materiality for the additional disclosures
- ▶ Management should provide written representations specific to the additional disclosures



The auditor is providing reasonable assurance which is not absolute assurance and therefore is not a guarantee

PART 5

Other Clusters



PART 5

Other Clusters

- ▶ A new cluster was added titled, Tribal Self-Governance and Determination Cluster (93.210/93.441)
- ▶ Clusters that had programs deleted that resulted in the removal of the clusters were as follows
 - Community Facilities Loans and Grants Cluster (10.766/~~10.780~~)*
 - Clean Water State Revolving Fund Cluster (66.458/~~66.482~~)*
 - Drinking Water State Revolving Fund Cluster (66.468/~~66.483~~)*
- ▶ Hurricane Sandy Relief Cluster (~~93.095/93.096~~) was deleted in its entirety
- ▶ Other Clusters with program deletions (Continue to be a cluster - just programs included changed)
 - Section 8 Project-Based Cluster (~~14.182/14.195/14.249/14.856~~)
 - Highway Safety Cluster (20.600/~~20.611/20.616~~)

* The remaining program now included as a separate program in Part 4



PART 6

Internal Control



PART 6

Reminders

- ▶ Summary of requirements for internal control under the UG (no changes)
- ▶ Background discussion on important internal control concepts
- ▶ Appendices that include illustrations of
 - Entity-wide internal controls over federal awards
 - Internal controls specific to each type of compliance requirement



PART 7

Guidance for Auditing Programs Not Included in This Compliance Supplement



PART 7

Reminders

Use Part 7 to help identify compliance requirements and to develop your audit approach/program

- ▶ What are the program objectives, program procedures, and compliance requirements for a specific program?
- ▶ Which of the compliance requirements could have a direct and material effect on the program?
- ▶ Which of the compliance requirements are susceptible to testing by the auditor?
- ▶ Into which of the 12 types of compliance requirements does each compliance requirement fall?
- ▶ For Special Tests and Provisions, what are the applicable audit objectives and audit procedures?



No changes to Part 7.
Just a reminder that if your program is not in the Compliance Supplement you need to utilize Part 7 to help determine what compliance requirements are direct and material and applicable for testing.

APPENDIX IV

Higher Risk Designation



APPENDIX IV

2024 Higher Risk Designation

Assistance Listing Number	Title
93.778/93.777/93.775**	Medicaid Cluster
21.023*	Emergency Rental Assistance
21.027*	Coronavirus State and Local Fiscal Recovery Funds
15.252**	Abandoned Mine Land Reclamation (AMLR) Grants

* These programs were created by one of the laws cited in Appendix IV and are thus considered 100% COVID-19 funding.

**These programs were existing programs that received additional IIJA or COVID-19 funding from one or more of the laws cited in Appendix IV.

The previous listing of programs which have “Other Information” sections in Part 4 has been removed.

Programs Removed from Higher Risk Designation List



21.026
Homeowner
Assistance
Fund



21.029
Coronavirus
Capital Projects
Fund



84.425
Education
Stabilization
Fund



93.498
Provider Relief
Fund



**96.001/
96.006**
Disability
Insurance /
Supplemental
Security
Income Cluster

APPENDIX IV

Higher Risk Designation Guidance: Type A Programs

- ▶ “Higher risk” designation will often result in type A program or cluster being audited as a major program
- ▶ Auditor is not precluded from determining that a “higher risk” type A program or other cluster qualifies as low risk if both of the following are met:
 - Program otherwise meets the criteria for a low-risk type A program or other cluster in section 200.518 of UG
 - The percentage of COVID-19 funding or IIJA funding in the program or other cluster during the nonfederal entity’s fiscal year is not material to the program or other cluster as a whole
- ▶ COVID-19 funding or IIJA funding within the Research & Development (R&D) cluster does not create a “higher risk” designation for the R&D cluster



**This guidance has not
changed from the 2023
Supplement - shown here for
reference.**

Common Question

I have audited the Emergency Rental Assistance program as a major program in 2023. There were no findings, and my client has a good handle on the program and strong controls. Do I have to audit it as a major program again in 2024 since it's a Type A program?

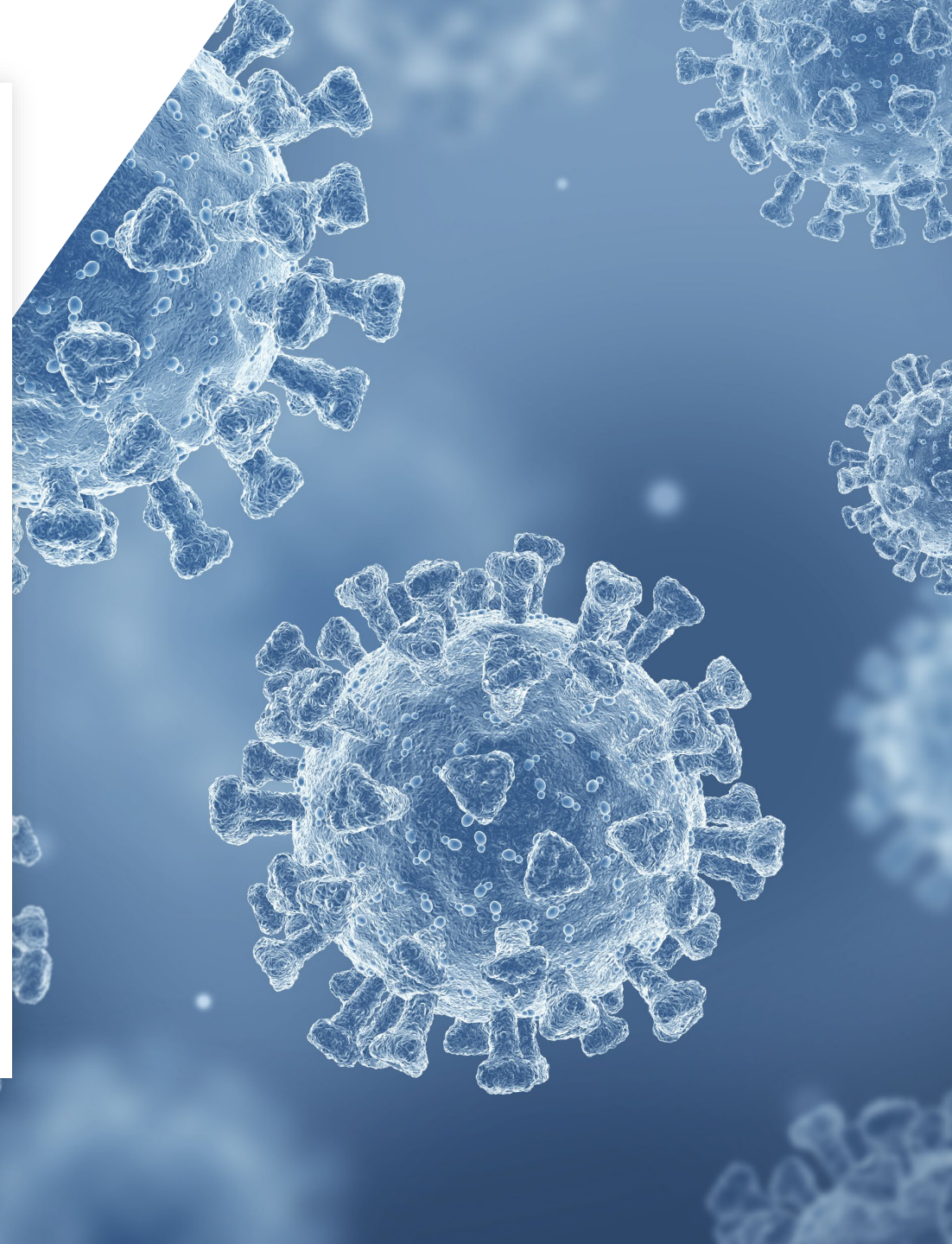


Yes. You must audit it as major because the Emergency Rental Assistance program is 100% COVID-19 funding (thus it is automatically material to the program).



What is an example of a situation where COVID-19 funding or IIJA funding in a program or cluster would have the potential of being immaterial for purposes of the higher risk exception?

With the 2024 update to the high-risk designation listing this could occur with either the Medicaid Cluster or the Abandoned Mine Land Reclamation Grants if they met all the other criteria in the UG for a low-risk Type A program.



APPENDIX IV

Higher Risk Designation Guidance: Type B Programs Reminders - No Change

Type B program considerations for higher-risk programs and other clusters (No changes from the 2023 Supplement)

- ▶ No changes to the normal risk assessment process for type B programs
- ▶ “Higher risk” identification must be considered with the other factors in section 200.519
- ▶ Auditor is not required to prioritize the assessment of risk for “higher risk” type B programs over other type B programs



APPENDIX VII

Other Audit Advisories



APPENDIX VII

Other Audit Advisories

- ▶ Few changes this year
- ▶ Clarification added to the “Due Date for Submission of Audit Reports and Low-Risk Auditee Criteria”
- ▶ Updated the section describing the Federal Audit Clearinghouse (FAC) transition from Census to General Services Administration (GSA)
- ▶ Added a new section for the 2024 Revisions to the Uniform Guidance



APPENDIX VII

Due Date Clarification

- ▶ This section clarifies that when considering whether prior single audit submission filings were timely that the auditor considers both the 9-month **and** 30-day aspect of the single audit due date
- ▶ This is not a change in the guidance - just a clarification as the prior version of Appendix VII only discussed the 9-month requirement in the suggested audit procedures and may have caused confusion
- ▶ Critical step to determine if low-risk auditee and percentage of coverage needed under UG

§ 200.512 Report submission.

(a) *General.*

(1) The audit must be completed and the data collection form described in [paragraph \(b\)](#) of this section and reporting package described in [paragraph \(c\)](#) of this section must be submitted within the **earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.** If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

APPENDIX VII

FAC Transition

- ▶ The provider of the FAC changed from Census to GSA on October 1, 2023. New Web address is: <https://www.fac.gov/>
- ▶ Single audits with a fiscal period ending in 2023 and 2024 and single audits of other past periods not submitted to Census before October 1, 2023, are to be submitted to the new GSA FAC
- ▶ Resubmissions of past reports will all be submitted to the GSA FAC
- ▶ Updates were made to describe previous waivers granted. Note that there are no new waivers issued by OMB at this time



APPENDIX VII

2024 Revisions to the Uniform Guidance

- ▶ This new section clarifies that the effective date of the increase in the single audit threshold to \$1 million (established in the recently revised Uniform Guidance (UG)) is effective for auditee fiscal years beginning on or after October 1, 2024 (i.e., fiscal year ends September 30, 2025, and later)
- ▶ And although Appendix VII is silent, it is our understanding based on communications between the AICPA GAQC and OMB, that this same effective date applies to the increase in the Type A threshold to \$1 million (also established in the recently revised UG)
- ▶ These threshold changes **cannot** be adopted early
- ▶ This new section also discusses the broader government-wide effective date of the UG (the revised UG is effective for awards issued on or after Oct. 1, 2024), how federal agencies may elect to implement the revisions as early as June 21, 2024, and related auditor considerations



APPENDIX VII

2024 Revisions to the Uniform Guidance

- ▶ The auditees and auditors should perform reasonable procedures to ensure that the compliance requirements identified as subject to the audit are current and determine whether there are any additional or modified provisions of federal awards based on the 2024 revisions
- ▶ Auditors must not, however, apply compliance requirements from the 2024 revisions in circumstances in which the federal agency has not yet applied the 2024 revisions to the federal award subject to audit
- ▶ For example, a non-federal entity with a fiscal year beginning on January 1, 2024 may receive an award on June 21, 2024 made subject to the 2024 revisions by the federal agency. Consequently, the auditor should perform reasonable procedures to ensure that compliance requirements identified as subject to the audit are current and determine whether there are any additional or modified provisions of federal awards based on the 2024 revisions



Effective Date Considerations

COMMON QUESTIONS TO DATE	ANSWER
Can we adopt the new audit threshold for our client base for their June 30, 2024, audits?	No. Can't adopt it until audits of years ending September 30, 2025, or later
Should I adopt the new \$1 million type A program threshold for our June 30, 2024, audits?	No. Can't adopt it until audits of years ending September 30, 2025, or later
How will we deal with testing compliance when some awards will be subject to the current UG and some to the new UG?	You will need to determine the UG criteria relevant to each award. It is expected that the 2025 Supplement will address both the current and the new UG requirements in Part 3.
How can I determine if an award is subject to the current UG or the new UG?	For new awards, will be based on the date. Can also look to the terms and conditions of the award.
During the transition from Circular A-133 to the UG (10 years ago), there was a concept of incremental funding into existing awards that allowed the new rules to be applied. Will that same concept apply this time?	Unsure. Will need to wait for OMB guidance.

Effective Date Considerations

COMMON QUESTIONS TO DATE	ANSWER
What about subawards?	Will depend on whether the new UG applied to the funding the subaward came from.
The new UG says some agencies can adopt the new UG in their awards as early as June 21, 2024. How will we know which agencies have done this?	We believe OMB will disclose which agencies have been approved to do so.
There seems to be a lot of transitional issues and questions. Will OMB be issuing guidance?	Yes. OMB is working on this. The guidance will likely cover both transition issues from the auditee and auditor perspectives.

APPENDIX VII

Other Reminders

Requirement to separately identify COVID-19 expenditures on the SEFA and DCF retained

- ▶ SEFA: on a separate line by AL# with “COVID-19” as a prefix to the program name
- ▶ DCF: on a separate row with “COVID-19” in Part II Item 1c, Additional Award Identification
- ▶ Although not discussed in Appendix, Education has issued separate identification guidance for its programs that use alpha characters

Note that Appendix VII did not establish similar SEFA and DCF requirements for IIJA funding



Appendix VII also states that auditors should include the COVID-19 identification for audit findings

Resources



BDO Resources

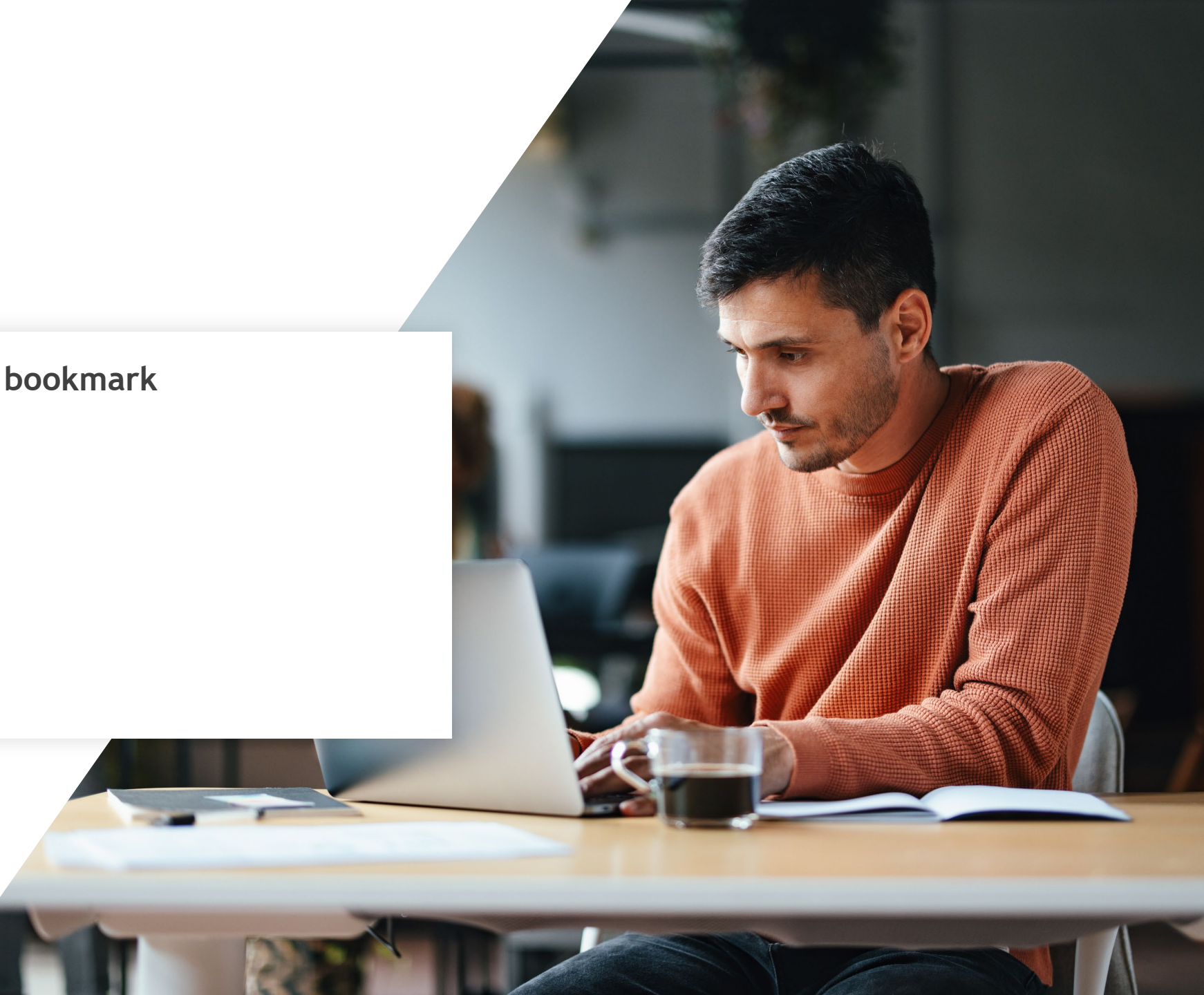
- ▶ [BDO Nonprofit Standard Newsletter](#)
- ▶ [BDO Nonprofit Standard blog](#)
- ▶ [BDO Indirect Cost Rate Tools](#)
- ▶ [The Revised Uniform Guidance Archived Recording](#)
- ▶ For webinars and more resources visit www.bdo.com



GAQC Web Site

Key areas to check out and/or bookmark

- ▶ [Archived GAQC Alerts](#)
- ▶ [Archived GAQC Web events](#)
- ▶ [GAQC COVID-19 Resources](#)
- ▶ [Illustrative Auditor's Reports](#)
- ▶ [Single Audit Resources](#)



Other GAQC Resources

- ▶ [Illustrative Auditors Reports](#)
 - Single Audit, Yellow Book, SLG, HUD
- ▶ [Single Audit Tips for Auditors](#)
- ▶ [Tips for Organizations Subject to Single Audit Requirements](#)



Questions?



Thank You



A modern office interior featuring a wide staircase with a glass railing, a lounge area with a curved sofa and a small table, and a reception desk with the BDO logo. Large windows in the background offer a view of a city skyline.

About BDO USA

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

www.bdo.com

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2024 BDO USA, P.C. All rights reserved.

