STIMULUS FUNDING - ARE YOU SUBJECT TO THE SINGLE AUDIT?

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With You Today

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STIMULUS FUNDING - ARE YOU SUBJECT TO THE SINGLE AUDIT?
Learning Objectives

AT THE END OF THE SESSION, THE PARTICIPANT SHOULD BE ABLE TO SUCCESSFULLY:

1. Understand the basic requirements of the Single Audit and the 2020 OMB Compliance Supplement (Supplement).
2. Understand the changes to the Supplement and impacts on federal awards.
3. Understand how to identify compliance requirements that entities must adhere to for those programs that are not specifically listed in the Supplement.
4. Understand the Federal Government’s status on additional guidance for new COVID-19 related programs and existing programs where compliance requirements have changed due to COVID-19.
WHAT IS A SINGLE AUDIT?
Enacted to streamline and improve the effectiveness of audits of federal awards and to reduce audit burden on states, local governments and nonprofit entities.

Detailed implementation requirements for Single Audits contained in regulation.

Current regulation that implements the Single Audit Act.

The UG can currently be accessed utilizing the Electronic Code of Federal Regulations (e-CFR).
What is a Single Audit?

A Single Audit is an organization-wide financial statement and federal award audit of a nonfederal entity that expends $750,000 or more in federal awards (either direct or indirect awards) in the current fiscal year under audit.

Determination of the threshold includes the total amount expended for federal financial assistance and can include other items such as donated surplus property, food commodities, and loan guarantees.

The intention of a Single Audit is to provide assurance to the federal government whether or not a nonfederal entity is in compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards for its major federal program(s).

- Nonfederal entities consist of state governments, local governments (such as cities, counties, or school districts), nonprofit entities, Indian tribes and institutions of higher education.
What is a Single Audit?
(CONTINUED)

A Single Audit is performed following three sets of professional auditing standards and requirements:

- Generally accepted auditing standards (GAAS) issued by the AICPA
- Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States through the U.S. Government Accountability Office (GAO) - this is the set of audit standards
  - Informally referred to as “the Yellow Book”
- The requirements of the 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Subpart F - this is the guidance that is based on law and regulation that requires the financial statements and major programs be audited.
- You cannot have a Single Audit without complying with GAGAS. But you can have an audit performed only under GAGAS.
Scope of Single Audit

- Covers entire operations of the entity
- Auditor provides an opinion on whether the financial statements are presented fairly
- Auditor gains an understanding of and tests internal control over compliance
- Auditor opines on compliance with federal statutes, regulations and the terms and conditions of federal awards that may have a direct and material effect on each of its major programs
- Auditor is responsible for following up on prior audit findings
Key Entities Overseeing the Single Audit

### Office of Management and Budget (OMB)

Responsible for issuance and maintenance of Single Audit regulation and coordinating with grant-making federal agencies. Publishes the Compliance Supplement each year. The Compliance Supplement is a document that identifies existing, important compliance requirements that the federal government expects to be considered as part of an audit required by the 1996 Amendments.

Without the Supplement, auditors would need to research many laws and regulations for each program under audit to determine which compliance requirements are important to the federal government and could have both a direct and material effect on a program. The OMB [Compliance Supplement] can be accessed on the OMB Federal Financial management website.

<table>
<thead>
<tr>
<th>Grant-making Agencies</th>
<th>Government Accountability Office (GAO)</th>
<th>Federal Audit Clearinghouse (FAC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various federal agencies</td>
<td>Responsible for issuance of Government Auditing Standards</td>
<td>Collects and disseminates Single Audit information on behalf of OMB</td>
</tr>
</tbody>
</table>
### Key Officials Overseeing the Single Audit

<table>
<thead>
<tr>
<th><strong>Position</strong></th>
<th><strong>Responsibilities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Audit Coordinators</strong></td>
<td>Position in each Federal agency’s Inspector General office, responsible for preventing/detecting fraud, waste and abuse. Often responsible for performing desk reviews and quality control reviews of Single Audits.</td>
</tr>
<tr>
<td><strong>Single Audit Accountable Official</strong></td>
<td>A policy official at the awarding agency who can be responsible for overseeing agency management’s role in audit resolution.</td>
</tr>
<tr>
<td><strong>Key Management Single Audit Liaison</strong></td>
<td>The responsibilities of this person are defined in the UG and include serving as the agency’s management point of contact for the Single Audit process within and outside the federal government. List of these by agency are included in the Compliance Supplement.</td>
</tr>
</tbody>
</table>
Key Sections of the Uniform Guidance

Determination must be made as to which section of the Uniform Guidance applies to federal funding.

- Subpart A - Acronyms and Definitions
- Subpart B - General
- Subpart C - Pre Award - Federal
- Subpart D - Post Award - Recipients
- Subpart E - Cost Principles
- Subpart F - Audit
- Appendices - There are 11 appendices
AUDITEE AND AUDITOR RESPONSIBILITIES
Auditee Responsibilities

- Maintain internal control over federal programs and ensure compliance with applicable requirements
- Comply with federal statutes, regulations, and the terms and conditions of federal awards
- Evaluate and monitor compliance with statutes, regulations and the terms and conditions of federal awards
- Take prompt action when noncompliance is identified
- Safeguard protected personally identifiable information
- Prepare an accurate Schedule of Expenditures of Federal Awards with all federal awards appropriately included
- Complete Data Collection Form for filing with the FAC and submit the full reporting package by the due date
Auditor Responsibilities

- Audit the financial statements in accordance with GAAS and GAGAS
- Determine whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles.
- Determine major programs to be audited and whether the SEFA is stated fairly in all material respects in relation to the auditee’s financial statements as a whole.
- Understand internal control over federal programs and plan the audit to support low assessed level of control risk of noncompliance for major programs and perform testing of internal control over compliance.

- Determine whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards.
- Perform compliance testing, tests of transactions and such other auditing procedures necessary to provide the auditor sufficient appropriate audit evidence to support an opinion on compliance.
- Auditor must follow-up on prior audit findings.
- Report current year findings resulting from compliance and internal control over compliance testing.
- Auditor must complete and sign specified sections of the DCF.
IMPACT OF COVID-19 FUNDING ON THE SINGLE AUDIT

STIMULUS FUNDING - ARE YOU SUBJECT TO THE SINGLE AUDIT?
IMPACT ON SINGLE AUDITS
More Entities May Now be Subject to a SA

- Certain entities may have never exceeded the $750,000 threshold so they were not required to have Single Audit

- Certain for-profit entities may now be subject to a financial audit in accordance with the Yellow Book or Single Audit as a result of the receipt of certain COVID-19 funding

- New COVID-19 programs may be high-risk type A programs because they have not been audited previously - meaning more programs will have to be audited

- New COVID-19 programs could also be type B programs - meaning more programs may have to be audited

- Type A programs that would have otherwise been low-risk might change to not low-risk if determination is made that changes in personnel or systems due to COVID-19 occurred - need to assess changes made when the remote work environment was adopted
STIMULUS MONEY

Key Points

- There are at least 20 new programs
- CARES funding provided existing programs with additional funding as well as new programs
- Some federal programs were granted flexibility and/or waivers of compliance requirements such as:
  - SFA, Child Nutrition Cluster, HUD program

- Read and re-read OMB 2020 Compliance Supplement
- Monitor beta.sam.gov - Assistance Listings that show applicable requirements for federal awards
- Read guidance from the agencies (i.e., Department of Education guide)
- Compliance Supplement addendum should be read once it is issued. Expected to be issued this fall.
<table>
<thead>
<tr>
<th>Fund Description</th>
<th>Subject to Single Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Protection Program Loan (PPP) - CFDA 59.073</td>
<td>No (although a CFDA number is assigned, it is not subject to SA and not on SEFA)</td>
</tr>
<tr>
<td>Educational Stabilization Fund - CFDA 84.425</td>
<td>Yes</td>
</tr>
<tr>
<td>Coronavirus Relief Fund to State and Local Government - CFDA 21.019</td>
<td>Yes</td>
</tr>
<tr>
<td>Provider Relief Fund - CFDA 93.498</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(This is a summary of the major stimulus funds - there are others - see link to resource on slide 20)
Multiple Entities and Consolidation

Common question arising due to COVID-19 funding going to multiple parts of a reporting entity:

How many Single Audits does an organization need if there are multiple entities involved that are consolidated or are part of the reporting entity?

Audit must cover the entire operations of the auditee, or, at the option of the auditee, such audit must include a series of audits that cover an auditee's departments, agencies, and other organizational units that expended or otherwise administered federal awards during the audit period.
Resources to Monitor

- **Nonauthoritative summary** of new federal COVID-19 programs and whether each is subject to Single Audit
  - Check frequently, it will have “as of” date showing the last time it was updated

- **Referenced FAQ** provides additional information relating to the CARES Act and M-20-21
  - Appendix A: List of COVID-19 Federal Assistance Programs
Single Audit Due Dates

- The reporting package must be submitted to the FAC within the earlier of 30 days after receipt of the auditor’s reports or 9 months after the end of the audit period.

- During the early part of 2020 OMB extended the due dates for the Data Collection Form.

- Due date for all Single Audits for fiscal years ending December 31, 2019 is currently December 31, 2020 - three-month extension was provided to extend from the standard September 30, 2020 deadline.

- As of today there is no extension for due date of Single Audits for fiscal years ending after December 31, 2019.
2020 COMPLIANCE SUPPLEMENT
2020 Compliance Supplement Will be Issued in 2 Parts

- First part already issued on August 18, 2020
- Primarily developed prior to COVID-19 pandemic, so does not specifically address COVID funding
- Effective for audits beginning after June 30, 2019 - so starting with June 30, 2020 year ends
- Access the 2020 Compliance Supplement on Office of Federal Financial Management (OFFM) page

- Second part - Addendum - is expected to be issued in this fall - will be posted to OFFM page where Supplement is located once issued
- Addendum is expected to address COVID-19 programs and other existing programs that will have changes
Changes to 2020 Supplement

- Updates that are not related to COVID-19 - regular updates each year - see Appendix V
- See revised Part 2 Matrix - shows compliance requirements identified by agencies to be audited
- Some agencies modified requirements subject to audit
- Some federal agencies made changes to existing programs that did not receive COVID funding such as:
  - SFA, Child Nutrition Cluster
- 6Requirement mandate maintained - agencies note the 6 requirements to be tested
- Removal of Part 3-1
- Clusters detailed in Part 5 - minor changes
- Appendix VII includes new section on COVID-19 implications - very important to read Appendix VII every year!
The 6-requirement mandate is only related to the compliance requirements subject to audit - remember A and B are counted as one compliance requirement for counting the 6 requirements.

Auditees are still required to comply with ALL applicable regulations.
Part 5 Cluster Changes

Clusters are groups of closely related programs that share common compliance requirements - treated as one program for major program determination and testing. Clusters include Research & Development, Student Financial Assistance and Others as defined in the Supplement.

NEW CLUSTER ADDED
Head Start cluster - 93.356 Head Start Disaster Recovery from Hurricanes Harvey, Irma and Maria (new program) and 93.600 Head Start

REMOVED CLUSTER
TANF - 93.558 and 93.714

CLUSTER MODIFIED
93.489 Child Care Disaster Relief - Added to CCDF Cluster with 93.575 and 93.596
IDENTIFICATION OF COMPLIANCE REQUIREMENTS
Types of Compliance Requirements from UG

- Activities Allowed or Unallowed (A)
- Allowable Costs/Costs Principles (B)
- Cash Management (C)
- Eligibility (E)
- Equipment and Real Property Management (F)
- Matching, Level of Effort, Earmarking (G)
- Period of Performance (H)

- Procurement and Suspension and Debarment (I)
- Program Income (J)
- Reporting (L)
- Subrecipient Monitoring (M)
- Special Tests and Provisions (N)

(See Appendix for more information on each of these. Also refer to Part 3 of the Compliance Supplement for full details.)
Identification of Compliance Requirements for Existing Programs with Additional Funding

- Be aware of the framework outlined in Part 1 of the Supplement to perform reasonable procedures to ensure the compliance requirements identified as subject to audit in the Part 2 matrix are current.

- If the existing program is included in the Part 2 matrix, the additional funding received under COVID funding may require additional compliance requirements other than those in the Part 2 matrix to be audited.

AUDITORS SHOULD:

- Inquire of auditee management about communications received from agencies

- Review terms and conditions (which may have changed over time to add new requirements or revise requirements) of agreements
Identification of Compliance Requirements for Existing Programs with Additional Funding

- Appendix VII of the Supplement indicates the auditor may need to identify additional requirements as subject to audit beyond what the Part 2 matrix identifies if reasonable procedures identify that those requirements are “not current”

- Examples noted in the Appendix are “Reporting” and “Subrecipient Monitoring”

- Auditors should utilize Part 7 of the Supplement as they evaluate what compliance requirements are applicable to the additional funding added to existing programs

- Auditors need to document this evaluation.
### New Programs Expected to be Included in the Fall Addendum:

<table>
<thead>
<tr>
<th>Program</th>
<th>Federal agency</th>
<th>Affects</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.034 Coronavirus Emergency Supplemental Funding Program</td>
<td>Dept of Justice</td>
<td>State and local governmental entities and tribes</td>
</tr>
<tr>
<td>32.006 Telehealth Program</td>
<td>Federal Communications Commission</td>
<td>Healthcare providers</td>
</tr>
<tr>
<td>21.019 Coronavirus Relief Fund</td>
<td>Dept of Treasury</td>
<td>Governmental entities and tribes</td>
</tr>
<tr>
<td>84.425 Education Stabilization Fund</td>
<td>Dept of Education</td>
<td>States, Schools, IHE</td>
</tr>
</tbody>
</table>
New Programs Expected to be Included in the Fall Addendum: (CONTINUED)

<table>
<thead>
<tr>
<th>93.498 Provider Relief Program</th>
<th>COVID-19 Testing for the Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>◀ Federal agency: HHS</td>
<td>◀ Federal agency: HHS</td>
</tr>
<tr>
<td>◀ Affects: For Profits, NFPs, Governmental entities</td>
<td>◀ Affects: Healthcare providers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COVID-19 Testing for Rural Health Clinics</th>
</tr>
</thead>
<tbody>
<tr>
<td>◀ Federal agency: HHS</td>
</tr>
<tr>
<td>◀ Affects: Rural health clinics</td>
</tr>
</tbody>
</table>
Existing Programs Expected to be Included in the Fall Addendum

<table>
<thead>
<tr>
<th>Code</th>
<th>Program Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.218</td>
<td>Community Development Block Grant</td>
</tr>
<tr>
<td>14.231</td>
<td>Emergency Solutions Grant Program, Homelessness Assistance</td>
</tr>
<tr>
<td>14.862</td>
<td>Indian Community Development Block Grant</td>
</tr>
<tr>
<td>93.153</td>
<td>Coordinated Services and Access to Research for Women, Infants, Children and Youth</td>
</tr>
<tr>
<td>93.914</td>
<td>HIV Emergency Relief Project Grants</td>
</tr>
<tr>
<td>93.917</td>
<td>HIV Care Formula Grants</td>
</tr>
<tr>
<td>93.918</td>
<td>Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease</td>
</tr>
</tbody>
</table>
Still some uncertainty regarding the identification of compliance requirements for new and existing programs with COVID-19 funding exists.

Identification of Compliance Requirements for Programs Expected to be in Fall Addendum

- Appendix VII states that for new COVID-19 related programs that will be included in the fall addendum:

  “Auditor must use the framework provided by Part 7 of the Supplement to determine which of the compliance requirements to test. In addition to Part 7, the auditor must check the OMB website for the addendum.”

- Uncertainty as to what this means and what instructions will be in the addendum.
Identification of Compliance Requirements for Programs Expected to be in Fall Addendum

- It is noted in the Supplement that reports issued prior to the publication of the addendum are not required to adhere to the requirements in the addendum.

- However, due to the uncertainty in trying to determine applicable compliance requirements for these new programs we recommend that auditees wait for the addendum, if possible, prior to having the Single Audit completed.

- It is understood that statutory deadlines in some cases may make waiting impossible.
Identification of Compliance Requirements for Programs Expected to be in Fall Addendum

When Considering Issuing the Financial Statements Prior to Single Audit:

- Don’t forget auditor has responsibility to consider compliance with laws and regulations in the F/S audit under GAAS and the Yellow Book
- Dating considerations for the SEFA in-relation-to opinion and eventual UG report on compliance and internal control over compliance
- Subsequent events
- AU-C 265B, Communicating Internal Control Related Matters Identified in an Audit, considerations when Single Audit reporting package issued later than 60 days after the FS report release date
### Why Consider Waiting for the Addendum?

<table>
<thead>
<tr>
<th>PROVIDER RELIEF FUND</th>
<th>CORONAVIRUS RELIEF FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>HHS issued new information in October related to what constitutes lost revenue. Entities will have to research these new guidelines to determine what amounts will even appear on the SEFA. There have been numerous questions raised regarding this program including the lack of clarity related to the compliance requirements.</td>
<td>Treasury has released a Frequently Asked Questions document, however there is conflicting information as to what compliance requirements are applicable to the program.</td>
</tr>
</tbody>
</table>

These are just two examples of the questions and uncertainties that remain open making performing the Single Audit on COVID funded programs difficult at current time.
IMPACT OF COVID ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
The SEFA is prepared by management and lists all federal awards.

The SEFA should reconcile to accounting or other records.

Utilized by auditors to perform the risk assessment and determine major programs to be audited.

Auditor issues an opinion as to whether the SEFA is fairly stated in all material respects in relation to the financial statements as a whole (referred to as an in-relation-to opinion).

Must follow specific guidelines outlined in the Uniform Guidance.
Nonfederal Entities **SHOULD** separately Identify COVID-19 Expenditures on the SEFA and DCF

**SEFA EXAMPLE:**

- This includes both new and existing programs
- On a separate line by CFDA number with “COVID-19” as a prefix to the program name or on a separate row

<table>
<thead>
<tr>
<th>Temporary Assistance for Needy Families</th>
<th>93.558</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Assistance for Needy Families</td>
<td>93.558</td>
<td>$3,000,000</td>
</tr>
<tr>
<td><strong>Total - Temporary Assistance for Needy Families</strong></td>
<td></td>
<td><strong>$4,000,000</strong></td>
</tr>
</tbody>
</table>

On the DCF - COVID funds should be presented on a separate row by Assistance Listing number with “COVID-19” as the first characters in Part II, Item 1C, Additional Award Information.
When are Expenditures Included on the SEFA?

Normally expenditures are included on the SEFA once funds are expended. The new COVID-19 programs have introduced challenges to the normal process.

- Auditees may have received cash well before award/terms and conditions were agreed to and may not be a “signed” document
- Under the Provider Relief - how do you handle the concept of lost revenue?
- Many of the new funding sources permit the organization to choose which costs are charged to a particular award - new situation

Suggested rule of thumb to determine when to include items on the SEFA:

- Underlying activity occurred
- There is an award/terms of conditions
- Keep in mind that the recognition on the SEFA may not always agree to when items are recognized in the financial statements - reconciliation footnote of amounts on SEFA to FS would become more common
- Auditee needs to document rationale for decisions made

When are Expenditures Included on the SEFA?
When Do You Have an Award?

It may be very challenging in some cases to determine if there is an award (or terms and conditions), especially when funds may have been received in advance.

- Typical awarding process not followed due to pandemic crisis
- May not be a “signed” document

The following are some suggestions for determining award date when it is unclear:

- Information on Federal agency websites
- Review of communication with Federal agencies
- Discussions with pass through entities, when applicable
Items for Consideration When COVID Funding is Included on SEFA

- Planning process must address all significant changes such as:
  - New funding streams created
  - Operations and processes changes
- Judgment is needed since conclusions are not always obvious

- Review of “continuing” guidance must take place
- Review instances where funds are awarded at a certain date but can be used to cover supplemental costs beginning from earlier date
- Rechecking SEFA before finishing is essential so there are no “surprises”
Subrecipient Monitoring Responsibility

Pass through entities must agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, several items including the following (see full responsibilities of pass through entities in the Uniform Guidance at 200.331):

- Federal award number
- Assistance listing number
- Amount of COVID-19 funds

When COVID-19 funds are subawarded for an existing program, the information furnished to subrecipients should distinguish the subawards of incremental COVID-19 funds from regular subawards.
Where Do I Look to Identify the Requirements I Need to Comply With?

- Federal agency web sites for the new and existing programs with COVID-19 funding
- Signed award agreement from the federal agency or pass-through entity
- Memos Issued by Federal agencies - such as Department of Education and Department of Housing and Urban Development
- Frequently Asked Question documents issued by Federal agencies
- Communications from Federal agencies
- Will be a very challenging task in this environment! Accumulate all data and maintain with documentation of decisions made and conclusions reached.
REPORTING PACKAGE

STIMULUS FUNDING - ARE YOU SUBJECT TO THE SINGLE AUDIT?
Required Elements of the Uniform Guidance Reporting Package

- Auditor’s reports:
  - Opinion (or disclaimer of opinion) on financial statements and in-relation-to supplementary schedule of expenditures of federal awards
  - Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements (Yellow Book report)
  - Report on compliance and internal control over compliance for each major federal program (Uniform Guidance report)

- Financial statements
- Supplementary schedule of expenditures of federal awards (“SEFA”)
- Schedule of findings and questioned costs (“SFQC”)
- Management’s (auditee’s) documents (Needs to be prepared by the auditee and on auditee letterhead)
  - Summary schedule of prior audit findings
  - A Corrective Action Plan (“CAP”)

STIMULUS FUNDING - ARE YOU SUBJECT TO THE SINGLE AUDIT?
SEFA Requirement
Face of SEFA must include all federal awards expended including:

Noncash Assistance

Loan Programs
(beginning balance of outstanding loans plus loans disbursed during period plus interest subsidy, cash, or administrative cost allowance)

Loan Guarantee Programs

Amounts Passed Through to Subrecipients For Each Program
The basic layout of the schedule is to present clusters first, broken down by direct awards by agency and then pass-through awards by agency with a subtotal for the agency with a total for the cluster.

Once all clusters are reported, other programs are to be listed by agency broken down first by direct awards by agency and then pass-through awards by agency with a subtotal by agency followed with an overall total.

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal CFDA Number</td>
</tr>
<tr>
<td>Pass-Through Entity Identifying Number</td>
</tr>
<tr>
<td>Amounts Provided to Subrecipients for Each Program</td>
</tr>
<tr>
<td>Total Federal Expenditures</td>
</tr>
</tbody>
</table>
SEFA Footnotes Requirements

Basis of Presentation

Summary of Significant Accounting Policies

Indirect Cost Rate (De Minimis Policy)

As applicable: Balance of Loans or Loan Guarantees at Year End.

Optional: Reconciliation of SEFA to Statement of Activities
Required Elements of Schedule of Findings and Questioned Costs ("SFQC")

SECTION I
Summary of Auditor’s Results

SECTION II
Financial Statement Findings

SECTION III
Federal Award Findings and Questioned Costs
Summary of Auditor’s Results in SFQC

- Major federal programs identified in the same order as reported on the SEFA (best practice)
- In the case of clusters of programs, the cluster name should be the same as shown on the SEFA and should match the Compliance Supplement.
- Ensure all federal award names on the Summary of Auditor’s Results conform to the federal award name on SEFA and match the Compliance Supplement.
- Ensure all finding check boxes on the Summary of Auditor’s Results match the opinions, both for Financial Statement Findings and Federal Award Findings.
Significant deficiencies and material weaknesses in internal control over financial reporting

Instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements

Noncompliance with provisions of grants and contract agreements that have a material effect on the determination of financial statement amounts listed

Abuse that has a material effect, either qualitatively or quantitatively

Any other instances that warrant the attention of those charged with governance
Financial Statement Findings Required Elements

- Criteria
- Effect or Potential Effect
- Condition
- Recommendation
- Cause
- Views of Responsible Officials
What is Required to be Disclosed as a Finding or Exception Under UG?

200.516 of the UG states that the auditor must report the following as audit findings in the SFQC:

- Significant deficiencies and material weaknesses in internal control over compliance of major programs and significant instances of abuse
- Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program
- Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program
- Known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program
What is Required to be Disclosed as a Finding or Exception Under UG?

200.516 of the UG states that the auditor must report the following as audit findings in the SFQC:

- Known questioned costs that are greater than $25,000 for a federal program which is not audited as a major program

- Known or likely fraud affecting a federal award, unless otherwise reported in the SFQC

- Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding
Nonfederal Entities SHOULD Separately Identify COVID-19 Related Award in Audit Findings

FINDINGS EXAMPLE:
Federal Award Findings and Questioned Costs
2020-001
Grantor: Department of Health and Human Services
Program Name: COVID-19 Temporary Assistance for Needy Families
Federal Award Year: July 1, 2019 - June 30, 2020
Federal Award Number: 20357XK
CFDA #: 93.558

Auditors should include the COVID-19 identification for audit findings that are applicable to COVID-19 new or existing programs.
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Required Elements

- Identification of the federal program
- Criteria or specific requirement (including statutory, regulatory, or other citation)
- Condition
- Cause
- Effect or potential effect
- Questioned costs
- Context
- Identification as a repeat finding, if applicable
- Recommendation
- Views of responsible officials
Uniform Guidance Reporting Package - Dos & Don’ts

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>A corrective action plan prepared by the auditee will need to be included in the final reporting package submitted with the data collection form. Does not have to be included in the auditor’s report - can be submitted just by the auditee with the reporting package submitted to the Federal Audit Clearinghouse (FAC).</td>
<td>The corrective action plan cannot be prepared by the auditors.</td>
</tr>
</tbody>
</table>
Uniform Guidance Reporting Package - Dos & Don’ts

YES

Remember that the UG reporting package is a public document. Can be accessed and searched on the FAC website.

NO

Ensure no Personally Identifiable Information (PII) is included in the reporting package.
DATA COLLECTION
FORM REMINDERS
DCF/FAC Developments

- Currently, for-profit entities are not required to submit the DCF - there is uncertainty whether this will change with the fall addendum
- FAC recommends that users not use Google Chrome to complete the Data Collection Form
- FAC staff are reviewing each corrective action plan and rejecting in some cases
  - Be sure your corrective action plan includes all required elements
- If you are utilizing an extension provided by OMB
  - Auditee needs to maintain documentation of reason for the delay in filing internally to show that the need was related to COVID-19 issues per OMB M-20-26
- Access and instructions for FAC can be accessed here.
Data Collection Form

- New field for fiscal period start date
- System edit check added for auditee EIN
- Edit check revision for multiple DUNS numbers
- Cluster drop-down box revision

- New requirements for Form to include:
  - Notes to the SEFA
  - Text of Audit Findings
  - Text of the CAP

- If you need to revise and resubmit a previous FAC submission, auditees will be required to indicate in the IDES what has changed and the reason why. The information provided related to the resubmission will be part of the public database.
The DCF will collect the notes to the SEFA including:
- The significant accounting policies (SAP)
- Whether de minimis cost rate was elected
- Any additional notes – all other notes included in financials must be added manually

Text limit for note boxes is 4,000 characters

No limit to the number of notes that can be added

Enter text as it appears in the notes, excluding tables or charts
- If there are tables or charts within actual note text, enter “See the notes to the SEFA for chart/table”

Text of notes will not be displayed for tribal entities that opt not to make the reporting package publicly available

REMEMBER: It is the auditee’s responsibility to fill out this information.
Data Collection Form
FINDINGS REMINDERS

- DCF will now collect the text of audit findings so that federal agencies can more easily perform audit resolution
  - Limited to federal award audit findings
- Text limit for audit findings boxes is 30,000 characters

- Each unique audit finding reference number will auto-generate based on information entered in Part III Item 4(e)
- Two options for entering text:
  - Manually for each individual finding
  - Worksheet approach - download, complete, upload
Data Collection Form
FINDINGS REMINDERS (CONTINUED)

- Enter text as it appears in the SFQC, excluding charts, tables, footnotes
- If chart/tables/footnotes are within the audit finding, enter: “See the Schedule of Findings and Questioned Costs for chart/table/footnote”
- Include any header information (such as title, federal program name, and award identification) and the auditee’s response

- If an audit finding relates to more than one program, the text is only to be entered once by audit finding reference number
- If an audit finding is presented in summarized format with a reference to a related finding, enter the text of the summarized finding as it appears in the SFQC
RESOURCES
Additional Resources

- **Governmental Audit Quality Center (GAQC) of the AICPA**

- **BDO Institute for Nonprofit Excellence Resource Center**
  
  INCLUDES:

  - Blog Posts
  - Nonprofit Standard newsletters
  - Upcoming Events
  - Archived Webinars
QUESTIONS?

STIMULUS FUNDING - ARE YOU SUBJECT TO THE SINGLE AUDIT?
APPENDIX - ADDITIONAL COMPLIANCE REQUIREMENT INFORMATION
COMPLIANCE REQUIREMENTS

Activities Allowed or Unallowed

- Activities that can or cannot take place and be paid for using federal funds for a specific federal program
- The specific requirements for activities allowed or unallowed are unique to each federal program
  - Specific requirements are found in the federal statutes, regulations, and the terms and conditions of the federal award pertaining to the program
  - For programs listed in the Compliance Supplement, the specific requirements of the governing statutes and regulations are included in Part 4 or Part 5 of the Compliance Supplement
  - For all programs, it is critical that the auditor obtain and review all applicable program contracts and grant agreements, as well as the Compliance Supplement related to those programs
COMPLIANCE REQUIREMENTS

Allowable Costs/Costs Principles

- Only certain incurred costs are considered allowable and can be charged to a federal program
- The cost principles of 2 CFR part 200, subpart E prescribe the cost accounting requirements associated with the administration of federal awards by:
  - States, local governments and Indian tribes
  - Institutions of higher education (IHEs)
  - Nonprofit organizations
Basic guidelines

- Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:
  - Be necessary and reasonable for the performance of the federal award and be allocable thereto under the principles in 2 CFR part 200, subpart E
  - Conform to any limitations or exclusions set forth in 2 CFR part 200, subpart E or in the federal award as to types or amount of cost items
  - Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the nonfederal entity
  - Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost (continued on next slide...)

COMPLIANCE REQUIREMENTS

Allowable Costs/Costs Principles, Continued
Basic guidelines

- Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:
  - Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in 2 CFR part 200
  - Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period
  - Be adequately documented
Nonfederal entities receive federal awards 2 ways:
- Advance payment method - cash paid prior to incurring eligible expenditures
- Reimbursement payment method - cash paid after entity has incurred eligible expenditures

Nonfederal entities receiving advance payments must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement.

Nonfederal entities passing along federal funds to other nonfederal entities must have procedures established to ensure that any advanced payments follow the same timing requirements and minimize the time elapsing between receipt and disbursement.

Any interest earned on advance payments must be tracked and remitted back to the federal agency if over $500.
Certain programs have in place specific criteria that limit or restrict who is eligible to participate in the federal program. Specific requirements for eligibility are found in the statutes, regulations, and the terms and conditions of the federal award pertaining to the program. Crucial that auditors review relevant documents to properly determine eligibility criteria.

Eligibility can be determined at the individual, groups of individuals (including area of service delivery), or subrecipient level.
Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit cost equal to or exceeding $5,000.

Equipment must be used in the program or project it was acquired for as long as needed, regardless if the project or program continues to be supported by the federal award.

Property records must be maintained, and inventory taken at least once every 2 years.

A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.

Adequate maintenance procedures must be developed.

Proper sales procedures must be established to ensure the highest return.

Nonfederal entities must contact the federal awarding agency and seek instructions prior to disposal when fair market value exceeds $5,000.
COMPLIANCE REQUIREMENTS

Matching, Level of Effort, Earmarking

- **Matching**
  - Includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal awards
  - Matching may be in the form of allowable costs incurred or in-kind contributions

- **Level of Effort**
  - Requires (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from nonfederal or federal sources to be maintained; (c) federal funds to supplement not supplant nonfederal funds

- **Earmarking**
  - Requires a minimum and/or maximum amount or percentage of a program’s funding must/may be used for specified activities
  - Earmarking may also be specific to the types of participants covered
Nonfederal entities may charge to the federal award only allowable costs incurred during the period of performance and any costs incurred before the award authorized by the federal awarding agency or pass-through entity unless authorized by the federal awarding agency or pass-through entity, a nonfederal entity must liquidate all obligations incurred under the federal award no later than 90 calendar days after the end of the period of performance (or as specified by the federal award).

- Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the nonfederal entity during the same or future period.
COMPLIANCE REQUIREMENTS

Procurement and Suspension and Debarment

**Procurement**
- Definition - the process by which goods or services are obtained
- Nonfederal entities are required to use procurement procedures that conform to applicable federal laws and regulations (2 CFR Parts 215 and 317 to 326)

**Suspension and Debarment**
- Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred
  - Covered transaction - procurement contracts for goods and services awarded under a nonprocurement transaction (e.g. grant or cooperative agreement)
  - All nonprocurement transactions entered into by a recipient irrespective of award amount are considered covered transactions

STIMULUS FUNDING - ARE YOU SUBJECT TO THE SINGLE AUDIT?
Program Income

- Program income is gross income received that is directly generated by a supported activity or earned as a result of the federal award during the period of performance.

- Program income includes, but is not limited to (per section 2 CFR 200.80):
  - Fees for services performed
  - The use of rental or real or personal property acquired under federal awards
  - The sale of commodities or items fabricated under federal awards
  - License fees and royalties on patents and copyrights (except as listed on the following slide)
  - Principal and interest on loans made with federal award funds
COMPLIANCE REQUIREMENTS
Program Income, Continued

Program income does not include:

- Interest earned on advances of federal funds
- Rebates, credits, discounts, refunds
- Taxes, special assessments, levies, fines
- Proceeds from the sale of equipment or real property acquired in whole or in part under the federal award
- Royalties or income earned by an institution of higher education or a nonprofit organization on inventions conceived or first actually reduced to practice in the performance of work under a funding agreement with a federal agency that is shared with the inventor
Program Income, Continued

Program income can be used in one of three methods:

- Deducted from total allowable costs
  - Method must be used if the federal awarding agency has given no prior approval for how program income is to be used, and the conditions of the federal award are silent on the matter
- Added to the project budget
- Used to meet cost sharing or matching requirements (only with prior approval)

Unless federal awarding agency regulations or the terms and conditions of the federal award specify otherwise, nonfederal entities have no obligation to the federal government regarding program income earned after the end of the period of performance.
Three types of reporting requirements:

• Financial reporting
  – Nonfederal entities must report program outlays and program income
  – Standard financial reporting forms:
    • Request for Advance or Reimbursement (SF-270)
    • Outlay Report and Reimbursement for Construction Programs (SF-271)
    • Federal Financial Report (FFR)

• Performance Reporting
  • Nonfederal entities may be required to submit performance reports
  • Performance reports generally contain a comparison of actual accomplishments with goals and objectives (along with reasons why or why not) and other pertinent information, such as an explanation of costs overruns (as appropriate)
Three types of reporting requirements, continued:

- Special reporting
  - Nonfederal entities may be required to submit other reporting which may be used by the federal agency for such purposes as allocating program funding

Compliance testing of performance and special reporting is only required for data that are quantifiable, considered to have a direct and material effect on the program, and are capable of evaluation against objective criteria stated in the statutes, regulations, contract or grant agreements pertaining to the program.
Subrecipients
- A nonfederal entity that expends federal awards received from a pass-through entity to carry out a federal program

Pass-through entities
- A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program

A pass-through entity must:

- Identify the award and applicable requirements
  - Identify to the subrecipient the award as a subaward
  - Identify both compliance requirements under Uniform Guidance and any additional requirements imposed by the pass-through entity

- Evaluate risk
  - Risk evaluation should consider factors such as the subrecipient’s prior experience with the same or similar subawards, results of previous audits, new personnel or substantively changed systems, federal award agency monitoring
A pass-through entity must, continued:

- **Monitor**
  - Review financial and programmatic reports, follow-up and ensure subrecipient takes timely and appropriate action on all deficiencies, and issue a management decision for audit findings

- **Ensuring accountability of for-profit subrecipients**
  - 2 CFR part 200 does not make subpart F applicable to for-profit subrecipients
  - Establish requirements as necessary to ensure compliance
  - Ensure agreement with for-profit subrecipients describes applicable compliance requirements
COMPLIANCE REQUIREMENTS

Special Tests and Provisions

- Specific requirements of special tests and provisions are unique to each federal program

- For programs listed in the Compliance Supplement, Part 4 and Part 5 provide compliance requirements, audit objectives, and suggested audit procedures for special tests and provisions

- For programs not listed, the auditor shall review the program’s contract and grant agreements and referenced laws and regulations to identify the compliance requirements and develop the audit objectives and audit procedures

- Auditor should also inquire with the nonfederal entity to help identify and understand any special tests and provisions

- Special tests and provisions considered direct and material should be included in the audit