

Single Audit Update / 2013 OMB Circular A-133 Compliance Supplement



An Interactive Webinar
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Presented by  Rehmann

Presented by:



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Outline

- Single Audit overview
- Overview of the 2013 Compliance Supplement
- Key guidance by compliance area
- Major changes from 2012
- Effects of the Recovery Act (ARRA) and the Transparency Act (FFATA)
- 2013 Data Collection Form
- Proposed changes for the future

Single Audit Overview

- Components of a Single Audit:
 - Financial statement audit (GAAS)
 - Conducted in accordance with *Government Auditing Standards* (GAGAS or the “Yellow Book”)
 - Compliance audit of federal awards expended (OMB Circular A-133)

Single Audit Overview



Single Audit Overview



- Obtain Schedule of Expenditures of Federal Awards (SEFA) from client
- Threshold for single audit is \$500,000 in current year
- Test SEFA in accordance with SAS 119 sufficient to render an in-relation-to opinion

Single Audit Overview



- Consider by CFDA number or cluster
- Divide programs into Type A and B
 - Cut-off starts at \$300,000 and goes up to \$3,000,000 as federal expenditures range from \$10M-\$100M
- Assess risk of Type A programs
 - Type A programs that are not low-risk are major
 - Type A programs that are low-risk are temporarily set aside, but may still be major
 - May only be low-risk if previously audited with no findings

Single Audit Overview



- If necessary, assess risk of larger Type B programs
 - Only required if there is a low-risk Type A program
 - “Larger” Type B programs are \$100,000 or more (threshold starts to increase at \$33M)
 - High-risk programs may be selected as major
 - Risk assessment is based on auditor judgment
 - Select one high-risk Type B program for each low-risk Type A program (limited to half of the high-risk Type B programs)

Single Audit Overview



- Determine if percentage of coverage is met
 - Required to test 50% of SEFA
 - For low-risk auditees, only test 25% of SEFA
 - Clean single audit for two years (no material findings)
 - Filed on time with the Clearinghouse
 - Select additional programs (auditor's choice) until coverage is met

Single Audit Overview



- For each major program, determine which compliance areas to test
 - Applicable per the A-133 Compliance Supplement
 - Applicable to the auditee
 - Have a direct and material effect on compliance

Single Audit Overview



- Compliance areas

- 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, and earmarking

- H. Period of availability of federal funds
- I. Procurement/suspension and debarment
- J. Program income
- K. Real property acquisition and relocation assistance
- L. Reporting
- M. Subrecipient monitoring
- N. Special tests and provisions

Single Audit Overview



- In-relation-to opinion on the SEFA
- Yellow Book report
 - Internal control over financial reporting
 - Compliance with laws, regulations, and grant agreements
- A-133 report
 - Compliance for each major program
 - Internal control over compliance

Single Audit Overview



- Schedule of Findings and Questioned Costs
 - Summary of Auditors Results
 - Financial statement findings
 - Federal awards findings
- Summary Schedule of Prior Audit Findings
 - Status of prior federal award findings
- Data Collection Form and reporting package
 - Submitted online

CPE Prompt (1 of 4)

- In a single audit, the auditor is required to test:
 - A. All programs over \$300,000
 - B. Only high-risk Type A programs
 - C. Any program with findings in the prior year
 - D. All major programs (which may include a mix of both Type A and Type B programs)

OMB Circular A-133

2013 Compliance Supplement

- Issued annually to assist auditors conducting single audits and to identify auditee responsibilities
- The “March” 2013 update was released on July 2, 2013 and is available at:
www.whitehouse.gov/omb/circulars_default
- Almost 1,600 pages long, but still not all-inclusive

OMB Circular A-133

2013 Compliance Supplement

- Part 1 - Background, Purpose, and Applicability
- Part 2 - Matrix of Compliance Requirements
- Part 3 - Compliance Requirements
- Part 4 - Agency Program Requirements
- Part 5 - Clusters of Programs
- Part 6 - Internal Control
- Part 7 - Guidance For Auditing Programs Not Included in this Compliance Supplement
- Appendices

Part 1

Background, Purpose, and Applicability

- Effective for June 30, 2013 FYE audits and later
- Safe Harbor Status:
 - The CS is updated annually, but laws change periodically, and delays are normal
 - Auditors should perform reasonable procedures to ensure compliance requirements are current
 - “Suggested audit procedures” are, as the name implies, only suggested - apply auditor judgment to achieve stated objectives

Part 2

Matrix of Compliance Requirements

- Lists all programs included in the Supplement and which compliance areas may apply to each
- Areas marked as applicable (“Y”) may not apply at a particular entity (or not be direct and material)
- Areas shaded grey may (infrequently) still have a direct and material effect on a major program
- Programs with ARRA funding are shown in **bold** (special tests and provisions always apply for ARRA)

Part 2

Matrix of Compliance Requirements

CFDA	<i>Types of Compliance Requirements</i>													
	A	B	C	D	E	F	G	H	I	J	K	L	M	N.**
	<i>Activities Allowed or Unallowed</i>	<i>Allowable Costs/Cost Principles</i>	<i>Cash Management</i>	<i>Davis-Bacon Act</i>	<i>Eligibility</i>	<i>Equipment and Real Property Management</i>	<i>Matching, Level of Effort, Earmarking</i>	<i>Period of Availability of Federal Funds</i>	<i>Procurement and Suspension and Debarment</i>	<i>Program Income</i>	<i>Real Property Acquisition and Relocation Assistance</i>	<i>Reporting</i>	<i>Subrecipient Monitoring</i>	<i>Special Tests and Provisions</i>
10 – United States Department of Agriculture (USDA)														
10.000*	Y	Y	Y			Y		Y	Y	Y		Y		Y
10.500	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	
10.551														
10.561	Y	Y	Y		See Part 4	Y	Y	Y	Y			Y	Y	Y
10.553														
10.555														
10.556														
10.559	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y
10.557	Y	Y	Y		Y	Y		Y	Y	Y		Y	Y	Y
10.558	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.566	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.565														
10.568														
10.569	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
10.582	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	

Part 3

Compliance Requirements

- Contains general guidance that applies to all programs (not repeated in Parts 4 and 5)
- OMB Circular A-102 (Common Rule) or Circular A-110 (Uniform Administrative Requirements) apply to most programs
- States may apply their own rules to subrecipients

Part 3 - Compliance Requirements

Activities Allowed or Unallowed

- Generally unique to each Federal program (refer to Parts 4 and 5)
- ARRA funds may not be used for:
 - casino or other gambling establishment
 - aquarium
 - zoo
 - golf course
 - swimming pool

Part 3 - Compliance Requirements

Allowable Costs/Cost Principles

- Applicable circular for federal cost principles:
 - A-87 - State, Local, and Indian Tribal Governments
 - A-21 - Educational Institutions
 - A-122 - Non-Profit Organizations
- Each circular has 43-54 specific items of cost, plus guidance for indirect cost allocation

Part 3 - Compliance Requirements

Cash Management

- Reimbursement based grants - program costs paid for by entity funds before reimbursement is requested
- Advance payment grants - minimize the time elapsing between transfer of funds from the US Treasury and disbursement
 - 31 CFR part 205 (Cash Management Improvement Act of 1990) generally limits advances to 3 days

Part 3 - Compliance Requirements

Davis Bacon Act

- Requires payment of “prevailing wage rates” for:
 - laborers and mechanics
 - employed by contractors or subcontractors
 - to work on construction contracts in excess of \$2,000

CPE Prompt (2 of 4)

- Auditees are only required to comply with the requirements identified by the OMB in Part 2 of the Compliance Supplement (the Matrix):
 - A. True
 - B. False

Part 3 - Compliance Requirements

Eligibility

- Generally unique to each Federal program (refer to Parts 4 and 5)
- May apply to:
 - Individuals
 - Groups / areas of service delivery
 - Subrecipients

Part 3 - Compliance Requirements

Equipment/Real Property Management

- Title to equipment (>\$5,000) purchased with federal funds rests with the non-federal entity
 - Equipment records must be maintained
 - Inventory taken every 2 years
 - Proceeds from sale may be reinvested or returned to the federal government

Part 3 - Compliance Requirements

Matching, Level of Effort, Earmarking

- Generally unique to each Federal program (refer to Parts 4 and 5)
 - *Matching* - local/in-kind contributions
 - *Level of Effort* - supplement vs. supplant
 - *Earmarking* - % of funding used for specific purposes

Part 3 - Compliance Requirements

Period of Availability of Federal Funds

- Federal funds may only be expended during the time specified in the grant agreement
- Unpaid obligations must generally be liquidated within 90 days of the end of the funding period

Part 3 - Compliance Requirements

Procurement, Suspension & Debarment

- Procurement - follow local practices
 - Federal awarding agency approval may be required for procurements over \$100,000
 - This threshold is in the process of being increased to \$150,000, but remains *unless* agency issues guidance or specified in the award
- Suspension and debarment - no “covered transactions” with parties blacklisted by the federal government
 - Procurement contracts for goods or services expected to exceed \$25,000
 - All non-procurement transactions (subawards)
 - See www.sam.gov

Part 3 - Compliance Requirements

Program Income

- Special rules may apply to gross income directly generated by a federally funded project
 - Fees
 - Interest
 - Refunds / proceeds from sales

Part 3 - Compliance Requirements

Real Property Acquisition/Relocation

- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) provides for uniform and equitable treatment of persons displaced by federally-assisted programs from their homes, businesses, or farms

Part 3 - Compliance Requirements

Reporting

- Use of standard OMB *Federal Financial Report* (SF-425)
- American Recovery and Reinvestment Act (ARRA)
 - Section 1512 reporting
 - Applies to all Recovery Act awards
- Federal Funding Accountability and Transparency Act (FFATA)
 - FFATA Subaward Reporting System (FSRS) reporting
 - Applies to all non-ARRA funding awarded after October 1, 2010
 - Applies to direct recipients from the federal government (not passed-through another entity)

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

- ARRA requires information about cumulative expenditures and current period payments, as well as jobs created
 - www.FederalReporting.gov
- FFATA focuses on subcontracts and subawards awarded during the period, and the entities to which they were awarded
 - www.fsrs.gov
 - See also <https://www.fsrs.gov/#a-faqs>

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

Comparison of ARRA and Transparency Act Reporting for Federal Awards			
	ARRA Funded (Reported under Section 1512 of ARRA)	Not ARRA Funded (Reported Under the Transparency Act)	
		<i>Federal awards <u>not</u> subject to the FAR</i>	<i>Federal awards (contracts) subject to the FAR</i>
DUNS Number	Required of recipients (referred to as contractors under the FAR) and first-tier subrecipients (referred to as subcontractors under the FAR)	Required of recipients and first-tier subrecipients	Required of recipients (referred to as contractors under the FAR) and first-tier subcontractors (may also be subrecipients for purposes of OMB Circular A-133 audits)
CCR Registration	Required of recipients and first-tier subrecipients however not required for first-tier subcontractors under the FAR	Required of recipients; not required for first-tier subrecipients	Required of recipients; not required for first-tier subcontractors

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

Comparison of ARRA and Transparency Act Reporting for Federal Awards			
	ARRA Funded (Reported under Section 1512 of ARRA)	Not ARRA Funded (Reported Under the Transparency Act)	
		<i>Federal awards not subject to the FAR</i>	<i>Federal awards (contracts) subject to the FAR</i>
What is reported	As required by Section 1512 of ARRA	Each first-tier subaward or action of \$25,000 or more in Federal funds IF the Federal award that is the source of the funding was made on or after 10/1/2010 with a new FAIN; does not include vendor payments by recipients or subawards to individuals	Each first-tier subcontract with a value of \$25,000 or more in Federal funds and any modification to that amount made on or after 10/1/2010
Who reports it	Recipient or may delegate reporting responsibility to first-tier subrecipients	Recipient	

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

Comparison of ARRA and Transparency Act Reporting for Federal Awards			
	ARRA Funded (Reported under Section 1512 of ARRA)	Not ARRA Funded (Reported Under the Transparency Act)	
		<i>Federal awards not subject to the FAR</i>	<i>Federal awards (contracts) subject to the FAR</i>
Where is it reported	FederalSpending.gov	Recipient information at CCR; first-tier subrecipient information at FSR5	Recipient information at CCR; first-tier subcontract information at FSR5
When must it be reported	By the 10 th day after the end of the calendar quarter in which the Federal award was made and on a similar timeframe thereafter	By the end of the month following the month in which the funding occurred	By the end of the month following the month in which the funding or modification occurred
Quick reference to requirement	OMB M-09-21 Questions 2.1 – 2.11	2 CFR part 170 75 FR 55663 <i>et seq.</i>	75 FR 39414 <i>et seq.</i>

Part 3 - Compliance Requirements

Reporting - ARRA vs. FFATA

- FFATA reporting - what is a subaward?
 - Consistent with the OMB guidance, 2 CFR part 170 defines “subaward” as a legal instrument to provide support for the performance of any portion of the substantive project or program for which a recipient received a grant or cooperative agreement award and that is awarded to an eligible subrecipient. The term does not include procurement of property and services needed to carry out the project or program. A subaward may be provided through any legal agreement, including an agreement that the recipient considers a contract.

Part 3 - Compliance Requirements

Subrecipient Monitoring

- Responsibilities of pass-through entities:
 - Determining Subrecipient Eligibility
 - ARRA - Central Contractor Registration (CCR)
 - Award Identification
 - During-the-Award Monitoring
 - Subrecipient Audits
 - Ensuring Accountability of For-Profit Subrecipients
 - Pass-Through Entity Impact

Part 3 - Compliance Requirements

Subrecipient Monitoring

- Factors that may affect the nature, timing, and extent of during-the-award monitoring:
 - Program complexity
 - Percentage passed through
 - Amount of awards
 - Subrecipient risk
- Monitoring activities normally occur throughout the year and may take various forms:
 - Reporting
 - Site visits
 - Regular contact

Part 3 - Compliance Requirements

Special Tests and Provisions

- Generally unique to each Federal program (refer to Parts 4 and 5)
- ARRA Special Tests and Provisions:
 - Separate accountability for ARRA funding
 - Presentation on SEFA and Data Collection Form
 - Subrecipient monitoring

CPE Prompt (3 of 4)

- The reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) apply to:
 - A. All federal grants awarded after October 1, 2010
 - B. Grants received from a pass-through agency
 - C. All direct federal awards (other than ARRA) with subawards or subcontracts greater than \$25,000
 - D. Only those awards that specifically incorporate the requirements into the grant agreement

Part 4

Agency Program Requirements

- Lists specific compliance requirements, audit objectives, and suggested audit procedures for 200+ individual programs
 - There are over 2,400 active CFDA numbers per www.cfda.gov
- Certain federal agencies have cross-cutting sections that apply to multiple grants

Part 5

Clusters of Programs

- Clusters are groupings of CFDA numbers that are treated as if they are a single program for purposes of the single audit
 - Research and Development (R&D)
 - Student Financial Assistance (SFA)
 - Other clusters (over 40)
- Many new clusters were created due to ARRA funding
 - Several were removed in the 2013 edition
- The addition of a new CFDA number to a cluster makes the cluster a “new” program for purposes of major program determination (R&D and SFA are exempt)

Part 6

Internal Control

- The A-102 Common Rule and OMB Circular A-110 require auditee management to establish and maintain internal controls over compliance
- Five elements of the COSO ICS Integrated Framework:
 - Control environment
 - Risk assessment
 - Control activities
 - Information and communication
 - Monitoring
- These should be applied to each of the applicable compliance requirements for each federal program

Part 7

Programs Not Included in the CS

- Provides guidance on identifying applicable compliance requirements, and determining appropriate audit procedures

Appendix 1

Federal Programs Excluded from A-102

- List of programs not subject to the Common Rule

Appendix 2

Codification of Grant Requirements

- OMB Circulars were codified to give them equal status with other federal regulations
- Lists federal agencies and the codification references for OMB Circulars A-102 and A-110

Appendix 3

Federal Agency Contacts

- List of Single Audit contacts for each federal agency and/or program
- These experts can answer questions not addressed in a grant agreement or by a local contact

Appendix 4

Internal Reference Tables

- Various tables of where supplemental guidance is located throughout the CS

Appendix 5

List of Changes for the 2013 CS

- New or updated guidance since the 2012 CS

Appendix 6

Disaster Waivers/Special Provisions

- Special rules for natural disaster relief areas

Appendix 7

Other OMB Circular A-133 Advisories

- ARRA considerations:
 - Major program determination
 - Separate accountability/reporting
 - Unlisted ARRA programs still subject to Single Audit
 - ARRA programs not subject to Single Audit
- Granting of extensions eliminated
- Clarification of low-risk auditee criteria
- Safe harbor for treatment of “large” loan programs in Type A program determination
- Report on the National Single Audit Sampling project

Appendix 7

Other OMB Circular A-133 Advisories

- Impact on major program risk assessment:
 - In general, ARRA programs are not low-risk (A or B)
- 20% exception extended to prior two years:
 - Program had ARRA dollars in the prior period
 - Program was tested as major in either of the prior two periods
 - Current ARRA dollars < 20% of total
 - Program otherwise meets low-risk criteria

Appendix 8 - SSAE 16 Examinations of EBT Service Organizations

- Applies to States for the Supplemental Nutrition Assistance Program

Appendix 9

Compliance Supplement Core Team

- List of members who worked on the CS

SF-SAC

Data Collection Form

- The 2010-2012 form is not valid for fiscal years ending in 2013
- The OMB has published an exposure draft for the new form for 2013-2015 (expected to be available in September)
- Key proposed changes:
 - Add auditor EIN
 - More detail on findings (and uniform numbering)
 - Entire reporting package to be available online (must be unsecured and at least 85% text searchable)

CPE Prompt (4 of 4)

- A single audit reporting package is required to be filed electronically to the Federal Audit Clearinghouse:
 - A. Within 9 months of the auditee's fiscal year end
 - B. Within 30 days of receipt of the auditor's reports
 - C. The earlier of A or B
 - D. The later of A or B

OMB Circular A-133

Proposed Changes

- In February 2013, OMB posted a proposed rule
 - Over 200 pages long
 - Comment period closed June 2, 2013
 - Would combine all grant circulars and related guidance into a single document

OMB Circular A-133

Proposed Changes

- Threshold for a single audit
 - Increased from \$500k to \$750k
- Type A/B Threshold
 - Increased from \$300k to \$500k
- High-Risk Type A programs
 - Material noncompliance, material weakness or questioned costs > 5% (currently, SD is enough for high-risk)

Proposed Changes

- Type B programs
 - Large Type B threshold changed to 25% of Type A threshold
 - Only required to test $\frac{1}{4}$ of high-risk Type B programs (instead of $\frac{1}{2}$)
- Percent of coverage
 - Coverage reduced from 50% to 40%
 - Low-risk coverage reduced from 25% to 20%

Proposed Changes

- Low-Risk Auditee Status
 - Explicitly considers timing of DCF submission
 - No going concern comments permitted
- Compliance Areas
 - List of 14 areas reduced to 6
 - Deleted areas may be shifted to special tests and provisions

OMB Circular A-133

Proposed Changes

- Findings
 - Questioned costs increased from \$10k to \$25k
 - More detail required
- Federal cost principles simplified
 - Indirect costs
 - Time and effort reporting

OMB Circular A-133

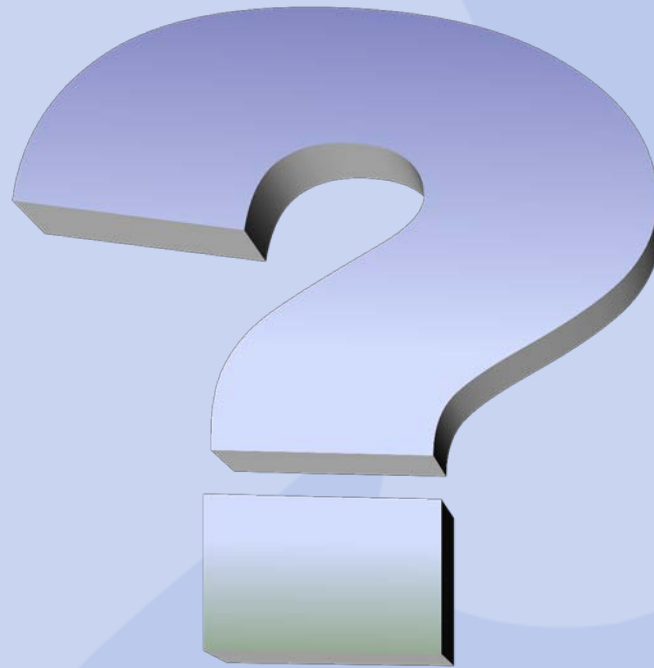
Proposed Changes

- Effective date unknown
 - AICPA is pushing for adequate time to prepare/train
 - May allow thresholds to move up first, and other changes to follow

Avoiding Common Findings

- “Know thy grants”
- Prepare a complete and accurate SEFA
- Design and follow internal controls over compliance
- Be mindful of federal cost principles (especially for payroll allocations)
- Separately account for ARRA grants
- Watch out for new FFATA requirements
- When in doubt, ask!

Questions and Answers...



For more information...

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