



2015 Single Audit Update

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Webinar

Presented in association with



Presented by:



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Outline

- Components of a Single Audit
- The Uniform Grant Guidance (recap from April)
 - Effective dates
 - Administrative requirements
- 2 CFR 200 Subpart F: Audit Requirements
 - Changes effective June 30, 2015
 - Changes effective December 31, 2015
 - 2015 Compliance Supplement

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-133/2 CFR 200)

Components of a Single Audit

Financial Statement Audit

- Results in an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles

Components of a Single Audit

Government Auditing Standards

- Builds on the foundation of GAAS
 - Adds requirements for auditor independence and continuing professional education
- Results in a report (not an opinion) on matters related to internal control over financial reporting that came to the auditors' attention during the audit

Components of a Single Audit

Compliance Audit of Federal Awards

- Builds on the foundation of GAAS and GAGAS
 - Adds compliance testing for “major federal programs”
- Results in:
 - An opinion on major program compliance
 - A report (not an opinion) on matters related to internal control over compliance that came to the auditors’ attention during the audit
 - An opinion on the Schedule of Expenditures of Federal Awards (SEFA) in-relation-to the financial statements

2 CFR 200

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - aka the “Uniform Guidance”, the “Super Circular” or the “Omni Circular”

Significant Changes

- Combined all related OMB guidance into one location (2 CFR 200)
 - Administrative requirements (A-102, A-110)
 - Federal cost principles (A-21, A-87, A-122)
 - Single audit (A-133, A-89, parts of A-50)

Organization by Subpart

- A. Acronyms and Definitions
- B. General Provisions
- C. Pre-Award Requirements and Contents of Federal Awards
- D. Post-Award Requirements
- E. Cost Principles
- F. Audit Requirements

Appendices

- I. Notice of funding opportunity
- II. Contract provisions
- III. Indirect costs – Higher Ed
- IV. Indirect costs – Nonprofits
- V. SLG-wide central service cost allocation plans
- VI. Public assistance cost allocation plans
- VII. SLG indirect cost proposals
- VIII. Nonprofits exempted from federal cost principles
- IX. Hospital cost principles
- X. Data Collection Form (SF-SAC)
- XI. Compliance Supplement

Subpart B - General Provisions

Effective/Applicability Date

- Technically:
 - Federal agencies by 12/26/2014
 - New grants awarded after 12/26/2014
 - Audits of years beginning on or after 12/26/2014
- Practically:
 - 01/01/2015 for grants management
 - 12/31/2015 for single audits

Subpart B - General Provisions

Effective/Applicability Date

- Early implementation
 - Administrative requirements and cost principles may be applied to all grants effective 12/26/2014 without penalty
 - Single audits may not be early implemented

(source: COFAR FAQ .110-12 and .110-13)

CPE Prompt 1 of 4

- The New Uniform Grant Guidance is applicable:
 - A. To all new grants awarded after 12/26/2014
 - B. To all existing grants awarded before 12/26/2014
 - C. Always (a) and optionally (b)
 - D. None of the above

Subpart D - Post-Award Requirements and

Standards for Financial Management

- Recipients:
 - Comply with all requirements of award
 - Performance measurement systems
 - Financial management systems
 - Separate identification of federal awards
 - Complete/accurate financial results
 - Support for federal draws
 - Effective control/accountability
 - **Written procedures**

Standards for Financial Management

- Written procedures:
 - Recommended for all compliance areas
 - Required for implementing:
 - §200.305 Payments
 - §200.318 Procurement (including conflict of interest)
 - Allowability of costs (Subpart E, Cost Principles)
 - §200.430-431 Compensation (personnel & benefits)
 - §200.474 Travel costs

Standards for Financial Management

- Internal controls:
 - Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award
 - “Should” be consistent with COSO

Subpart E

Cost Principles

- Composition of costs:
 - The “total cost” of a Federal award is the sum of the **allowable** direct and **allocable** indirect costs less any **applicable credits**

Subpart E

Cost Principles

- Direct and indirect costs:

- § 200.412 Classification of costs

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective.

Subpart E

Cost Principles

- Selected items of cost:
 - 55 specific items are included
 - Apply to both direct and indirect costs
 - Failure to mention a particular item of cost does not imply that it is either allowable or unallowable (apply general principles of allowability)
 - The provisions of a specific award always govern in the case of a discrepancy

Subpart F

Single Audit

- The overall approach for a single audit was largely left unchanged
- Various thresholds increased
 - Will drop approximately 12.9% of the single audits conducted (over 5,000 entities) while retaining 99.7% of the Federal expenditures tested

Subpart F

Single Audit Changes

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

Subpart F

Single Audit Changes

- Type B programs
 - Large Type B threshold changed from \$100k 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%

Subpart F

Single Audit Changes

- Low-Risk Auditee Status
 - Explicitly considers timing of DCF submission
 - No going concern comments permitted
- Compliance Areas
 - List of 14 areas reduced to 12*

Subpart F

Single Audit Changes

- Findings
 - Questioned costs increased from \$10k to \$25k
 - More detail required
- Type A loan program
 - Exceeds 4 times the largest non-loan program
 - Loans must be 50% or more of the total federal awards expended

Subpart F

Single Audit Changes

- SEFA
 - Must include the total amount provided to subrecipients on the face
- Data Collection Form
 - Auditee must certify that the reporting package does not include protected personally identifiable information
- Removed first year audit exception

Single Audit Overview



- Four primary stages to a single audit

Single Audit Overview



- Obtain Schedule of Expenditures of Federal Awards (SEFA) from client
- Threshold for single audit is \$750,000 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 \$750,000 and goes up to \$3,000,000 as federal expenditures range from \$25M-\$100M
- Assess risk of Type A programs
 - Type A programs that are not low-risk are major
 - Type A programs that are low-risk (previously audited with no MW) are temporarily set aside, but may still be major

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 25% of the Type A threshold
 - High-risk programs may be selected as major
 - Risk assessment is based on auditor judgment
 - Select one high-risk Type B program for every four low-risk Type A programs (25% of the low-risk Type A programs)

Single Audit Overview



- Determine if percentage of coverage is met
 - Required to test 40% of SEFA
 - For low-risk auditees, only test 20% 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

CPE Prompt 2 of 4

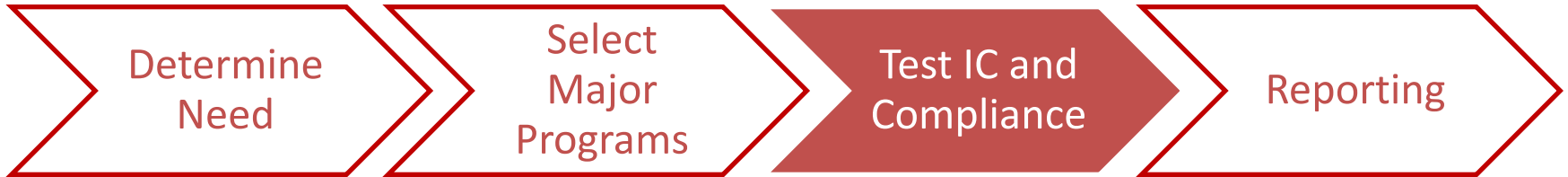
- When selecting which federal programs to audit, the auditor considers:
 - A. Program size
 - B. Program risk
 - C. Ease of auditing
 - D. Both A & B
 - E. None of the above

Single Audit Overview



- For each major program, determine which compliance areas to test
 - Applicable per the 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. [reserved]*
- E. Eligibility
- F. Equipment and real property management
- G. Matching, level of effort, and earmarking
- H. Period of performance
- I. Procurement/suspension and debarment
- J. Program income
- K. [reserved]
- 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
- Single Audit 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
 - Questioned costs > \$25,000
- Summary Schedule of Prior Audit Findings
 - Status of prior federal award findings

Single Audit Overview



- Data Collection Form and reporting package
 - Submitted online
 - Provides details of individual findings
 - Complete financial statements uploaded (available for public inspection)

2 CFR 200, Appendix XI

2015 Compliance Supplement

- Issued annually to assist auditors conducting single audits and to identify auditee responsibilities
- The June 2015 update was released on July 2, 2015 and is available at:
www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2015
- Almost 1,600 pages long, but still not all-inclusive

2 CFR 200, Appendix XI

2015 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, 2015 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> | | | | | | | | | | | | | |
|--|---|---|---------------------------|--------------------|-----------------------|--|---|---------------------------------|--|--------------------------|--------------------|---------------------|-----------------------------------|--|
| | <i>A. Activities Allowed or Unallowed</i> | <i>B. Allowable Costs/Cost Principles</i> | <i>C. Cash Management</i> | <i>D. Reserved</i> | <i>E. Eligibility</i> | <i>F. Equipment and Real Property Management</i> | <i>G. Matching, Level of Effort, Earmarking</i> | <i>H. Period of Performance</i> | <i>I. Procurement and Suspension and Debarment</i> | <i>J. Program Income</i> | <i>K. Reserved</i> | <i>L. Reporting</i> | <i>M. Subrecipient Monitoring</i> | <i>N. 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 | 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 | |

CPE Prompt 3 of 4

- Auditors are expected to:
 - A. Perform only those tests specifically included in the compliance supplement
 - B. Apply professional judgment in determining what tests to perform
 - C. Request instructions from the grantor agency for programs not included in the CS
 - D. Only select programs for testing that are included in the CS

Part 3

Compliance Requirements

- Contains general guidance that applies to all programs (not repeated in Parts 4 and 5)
- Transitional guidance
 - Part 3.1 – OMB Circulars
 - Part 3.2 – Uniform Guidance

Part 3

Compliance Requirements

We would anticipate that for many of the changes, non-Federal entities with both old and new awards may make changes to their entity-wide policies (for example payroll or procurement systems).

Practically speaking, these changes would impact their existing/older awards. Non-Federal entities wishing to implement entity-wide system changes to comply with the Uniform Guidance after the effective date of December 26, 2014 will not be penalized for doing so.

COFAR FAQ .110-13

Part 3 - Compliance Requirements

A. Activities Allowed or Unallowed

- Generally unique to each Federal program
(refer to Parts 4 and 5)

Part 3 - Compliance Requirements

B. Allowable Costs/Cost Principles

- Federal cost principles:
 - OMB Circulars A-87, A-21, and A-122
 - 2 CFR 200, Subpart E
- Basic guidelines:
 - Reasonable/necessary
 - Allocable to the federal award
 - Adequately documented

Part 3 - Compliance Requirements

C. Cash Management

- Part 3.1:
 - 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

C. Cash Management

- Part 3.2:
 - Advance payment
 - Preferred when written procedures exist for minimizing the time elapsing between transfer of funds from the US Treasury and disbursement
 - Reimbursement method
 - Used when no written policies exist, when required by specific conditions, or upon request of the grantee

Part 3 - Compliance Requirements

D. [Reserved]

- Formerly used for Davis-Bacon Act compliance
- Moved to 20.001 Wage Rate Determination cross-cutting section

Part 3 - Compliance Requirements

E. 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

F. Equipment/Real Property Mgmt

- Title to equipment (>\$5,000) purchased with federal funds rests with the non-federal entity
 - Property 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

G. 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

H. Period of Performance

- 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

I. Procurement, Suspension/Debarment

- Part 3.1:
 - Procurement – follow local practices
 - Federal awarding agency approval may be required for procurements over \$100,000

Part 3 - Compliance Requirements

I. Procurement, Suspension/Debarment

- Part 3.2:
 - Procurement – follow local practices
 - Micro-purchase < \$3,000 (need only be “reasonable”)
 - Small purchase < \$150,000 (obtain price quotes)
 - Over \$150,000:
 - Sealed bids
 - Competitive proposals
 - Noncompetitive proposals
 - One year grace period for implementation

Part 3 - Compliance Requirements

I. Procurement, Suspension/Debarment

- Suspension and debarment
 - No “covered transactions” with federally blacklisted parties
 - Procurement contracts for goods or services expected to exceed \$25,000
 - All non-procurement transactions (subawards)
 - See www.sam.gov for the list of excluded parties

Part 3 - Compliance Requirements

J. Program Income

- Gross income directly generated by a federally funded project
 - Fees
 - Interest
 - Refunds / proceeds from sales
- May be deducted from program costs, added to the budget, or used to meet matching requirements

Part 3 - Compliance Requirements

K. [Reserved]

- Formerly Real Property Acquisition/Relocation Assistance

Part 3 - Compliance Requirements

L. Reporting

- Use of standard OMB forms (SF-270 & SF-425)
- Federal Funding Accountability and Transparency Act (FFATA) requirements have been removed from the compliance supplement

Part 3 - Compliance Requirements

M. Subrecipient Monitoring

- Part 3.1:
 - 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

M. Subrecipient Monitoring

- Part 3.2:
 - Responsibilities of pass-through entities:
 - Identify the Award and Applicable Requirements
 - Evaluate Risk
 - Monitor
 - Ensure Accountability of For-Profit Subrecipients

Part 3 - Compliance Requirements

N. Special Tests and Provisions

- Generally unique to each Federal program (refer to Parts 4 and 5)
- Part 3.1 ARRA Special Tests and Provisions:
 - Separate accountability for ARRA funding
 - Presentation on SEFA and Data Collection Form
 - Subrecipient monitoring

CPE Prompt 4 of 4

- Which of the following statements are true?
 - A. Auditors only test compliance requirements that are applicable to a particular program
 - B. Auditors only test requirements that could have a direct and material effect on compliance
 - C. Grant recipients may still be subject to compliance requirements, even if the auditor doesn't elect to test them during an audit
 - D. All of the above

Part 4

Agency Program Requirements

- Lists specific compliance requirements, audit objectives, and suggested audit procedures for approximately 200 individual programs
 - There are approximately 1,600 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 (approx. 35)

Part 6

Internal Control

- The 2014 Compliance Supplement included suggested controls for each compliance area
- These have been removed pending a substantial update to comply with the 2013 revision to COSO
- It is expected to return in 2016

Part 7

Programs Not Included in the CS

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

Appendix I

Federal Programs Excluded

- A (very) few federal programs are not subject to the Uniform Grant Guidance or

Appendix II

Federal Agency Codification

- Gives the location in the Federal Register for each agency's codification of the Uniform Guidance
 - Some agencies may have made changes to the general rule

Appendix III

Federal Agency Single Audit Contacts

- Contact information for each federal agency
 - Includes names, phone numbers, and email addresses

Appendix IV

Internal Reference Tables

- List of programs with the location of any “other information” provided
 - Testing
 - SEFA presentation
 - Other

Appendix V

List of Changes in the 2015 CS

- Removed A-133 from title
- Part 3 split into 3.1 and 3.2
- Updated compliance areas
- Updated references to 2 CFR 200
- Removed FFATA reporting requirements
- Various program-specific updates
- Removed Part 6 – Internal Control

Appendix VI

Program-Specific Audit Guides

- Lists separately published program-specific audit guides available
 - Includes the HUD Consolidated Audit Guide

Appendix VII

Other Advisories

- No significant changes from 2014

Appendix VIII

Examinations of EBT Service Orgs

- Applicable to States that administer electronic benefit transfers (EBT) through service organizations
 - No significant changes from 2014

Appendix IX

Compliance Supplement Core Team

- List of team members who participated in updating the Compliance Supplement

SF-SAC

Data Collection Form

- Required for all Single Audits
- Due 9 months after fiscal year end, or 30 days after receipt of the audit report
- Submitted electronically, including a text-searchable PDF of the financial statements (will be publicly available)
- Certified by the auditor and auditee

SF-SAC

Data Collection Form

- Key changes:
 - Unique logins for each user (auditee and auditor)
 - More details provided for each finding
 - Separate corrective action plan to be included (view of responsible official is not enough)

Online Resources

- www.whitehouse.gov/omb/grants
- <https://cfo.gov/cofar/>
- harvester.census.gov/facweb

Questions?



For more information...



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