2023 Single Audit Update

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EMPOWER YOUR PURPOSE

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Session Outline

- Single Audit Overview

- Understanding and Preparing for a Single Audit: Best Practices

- Common Issues and Pitfalls

- Area of Emphasis: Subrecipient Monitoring

- 2023 Compliance Supplement: Updates

- Alternative Compliance Examination Engagements and Data Collection Forms

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Single Audit Overview

Single Audit

Background

Pre-1984:

- Every federal agency had its own requirements

- Entities expending awards from multiple federal agencies could be audited multiple times

The Single Audit Act of 1984

- Created a "single" audit of all federal awards

- 1996 amendments combined governments/NPOs

- Implemented by OMB Circular A-133

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Background

New Uniform Grant Guidance (2 CFR 200)

- Updates thresholds for single audits ($750k)

- Effective for 12/31/2015 and later single audits

- Last significant update was August 2020

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Single Audit

Components

- Financial statement audit (GAAS)

- Conducted in accordance with Government Auditing Standards (GAGAS or the "Yellow Book")

- Compliance audit of federal awards expended (Uniform Guidance)

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Financial Statement Audit

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

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Government Auditing Standards

- Builds on the foundation of GAAS

- Adds additional requirements for auditor independence and CPE

- 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

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Single Audit

Compliance Audit of Federal Awards

- Builds on the foundation of GAAS/GAGAS

- Adds compliance testing for "major programs"

- Results in:

  - an opinion on the SEFA in-relation-to the F/S

  - 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

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CPE Prompt 1 of 5

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Stages of a Single Audit

Four primary stages:

Determine Need → Select Major Programs → Test IC and Compliance → Reporting

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Stages of a Single Audit

Stage 1:

Determine Need → Select Major Programs → Test IC and Compliance → Reporting

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

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Stages of a Single Audit

Stage 2:

```
Determine Need  →  Select Major Programs  →  Test IC and Compliance  →  Reporting
```

Consider by Assistance Listing (CFDA) number or cluster

Divide programs into Type A and B

- Cut-off starts at $750,000 and goes up with total expenditures

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

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Major Program Selection

1. Start with a complete SEFA

2. Determine the Type A/B threshold

Total Federal Awards	Type A/B Threshold
$750,000 - $25 million	$750,000
$25 million - $100 million	Total SEFA x .03
$100 million - $1 billion	$3,000,000
$1 billion - $10 billion	Total SEFA x .003
$10 billion - $20 billion	$30,000,000
$20 billion +	Total SEFA x .0015

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Stage 2:

| Determine Need | Select Major Programs | Test IC and Compliance | Reporting |

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
- Identify one high-risk Type B program for every four low-risk Type A programs (25% of the low-risk Type A programs)

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Stages of a Single Audit

Stage 2:

| Determine Need | **Select Major Programs** | Test IC and Compliance | Reporting |

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

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Stages of a Single Audit

Stage 3:

```
Determine Need  →  Select Major Programs  →  Test IC and Compliance  →  Reporting
```

For each major program, determine which compliance areas to test

- Subject to audit per the Compliance Supplement

- Applicable to the auditee

- Have a direct and material effect on compliance

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Stage 3:

Determine Need → Select Major Programs → **Test IC and Compliance** → Reporting

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

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Stage 4:

Determine Need	Select Major Programs	Test IC and Compliance	Reporting

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

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Stage 4:

| Determine Need | Select Major Programs | Test IC and Compliance | Reporting |

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

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Stages of a Single Audit

Stage 4:

| Determine Need | Select Major Programs | Test IC and Compliance | Reporting |

Data Collection Form and reporting package

- Submitted online
- Provides details on findings
- Corrective action plan
- Complete financial statements for public inspection

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Single Audit

Uniform Guidance (2 CFR 200)

A.   Acronyms and Definitions

B.   General Provisions

C.   Contents of Federal Awards

D.   Standards for Financial Management

E.   Cost Principles

F.   Audit Requirements

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Uniform Guidance: 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

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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

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Standards for Financial Management

Written procedures:

Recommended for all compliance areas

Required for implementing:

- §200.305 Payments (i.e., cash draws)

- §200.318 Procurement (including conflict of interest)

- Allowability of costs (Subpart E, Cost Principles)

- §200.430-431 Compensation (personnel & benefits)

- §200.474 Travel costs

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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 (see CS Part 6) and the Green Book.

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COSO: Internal Control

3 Objectives

5 Components

17 Principles

- Applicable to each level of an organization

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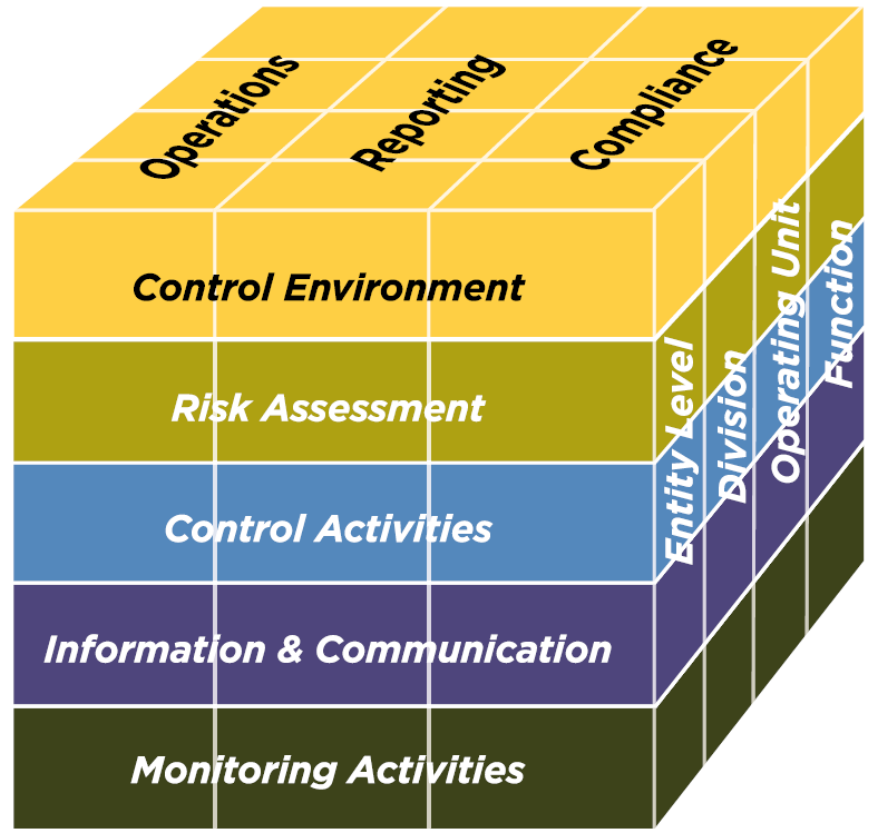
The Green Book

3 Objectives

5 Components
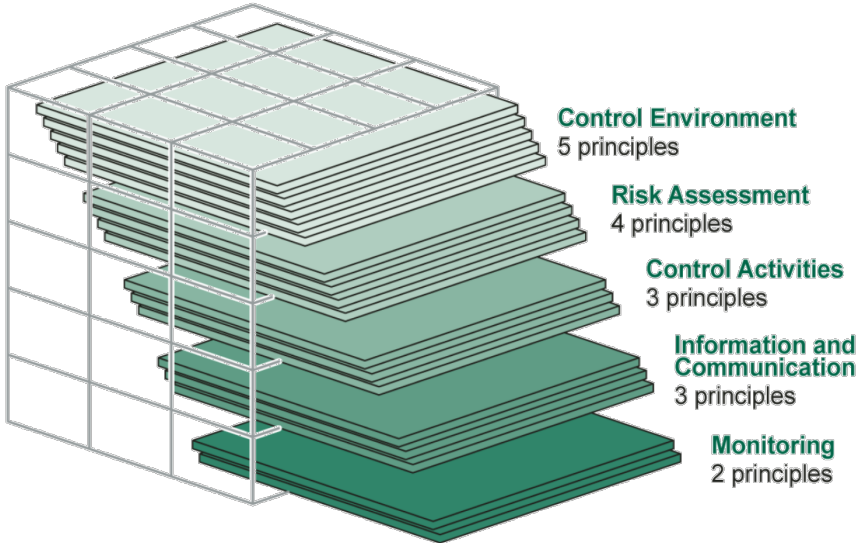
17 Principles

Source: GAO. | GAO-14-704G
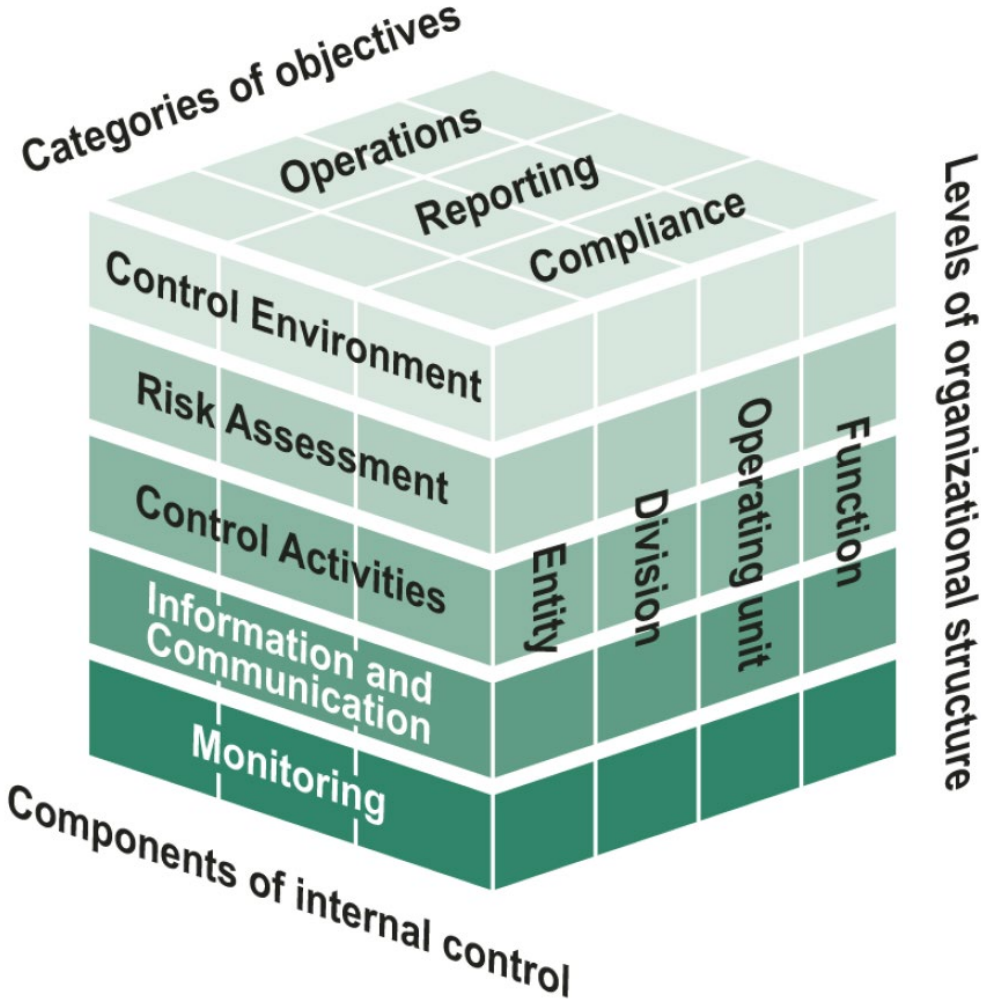
Control Environment

The set of standards, processes, and structures that provide the basis for carrying out internal control across the organization

Principle 1: Demonstrate Commitment to Integrity and Ethical Values

Principle 2: Exercise Oversight Responsibility

Principle 3: Establish Structure, Authority, and Responsibility

Principle 4: Demonstrate Commitment to Competence

Principle 5: Enforce Accountability

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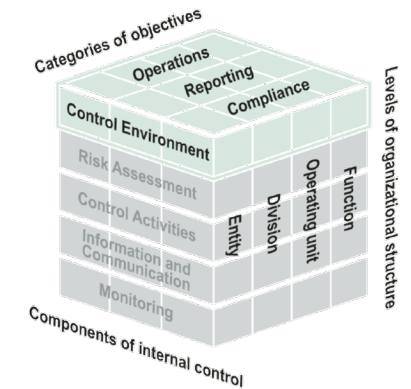
Risk Assessment

A dynamic and iterative process for identifying and assessing the possibility that an event will occur and adversely affect the achievement of objectives

Principle 6: Define Objectives and Risk Tolerances

Principle 7: Identify, Analyze, and Respond to Risks

Principle 8: Assess Fraud Risk

Principle 9: Identify, Analyze, and Respond to Change

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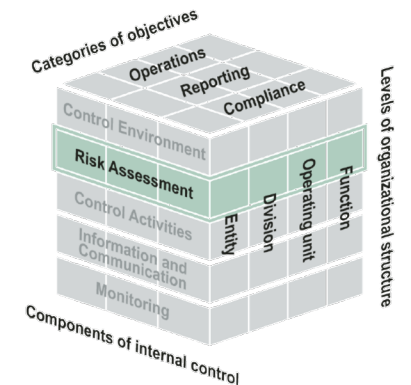
Control Activities

The actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out

Principle 10: Design Control Activities

Principle 11: Design Activities for the Information System

Principle 12: Implement Control Activities
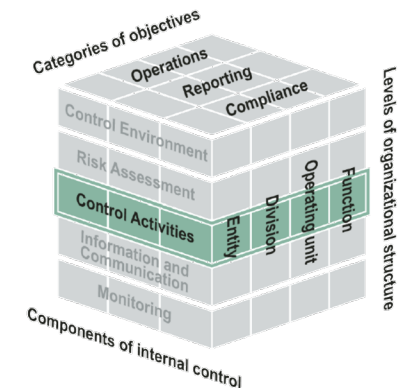
Information and Communication

The continual, iterative process of providing, sharing, and obtaining necessary information to carry out internal control responsibilities to support the achievement of the entity's objectives

    Principle 13: Use Quality Information

    Principle 14: Communicate Internally

   Principle 15: Communicate Externally

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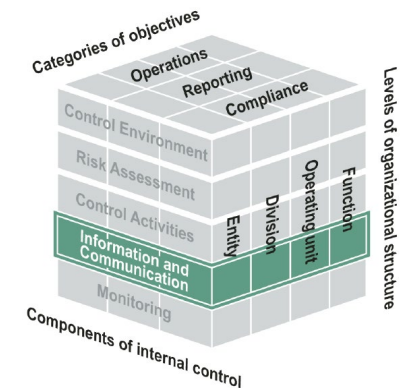
Monitoring Activities

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to affect the principles within each component, is present and functioning

Principle 16: Perform Monitoring Activities

Principle 17: Evaluate Issues and Remediate Deficiencies
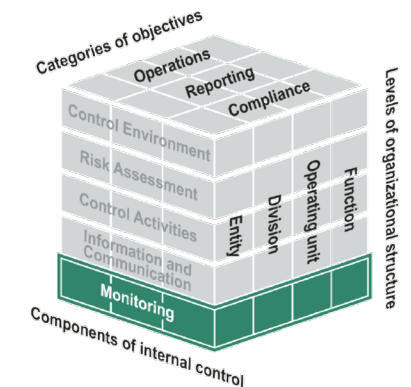
Documenting IC over Compliance
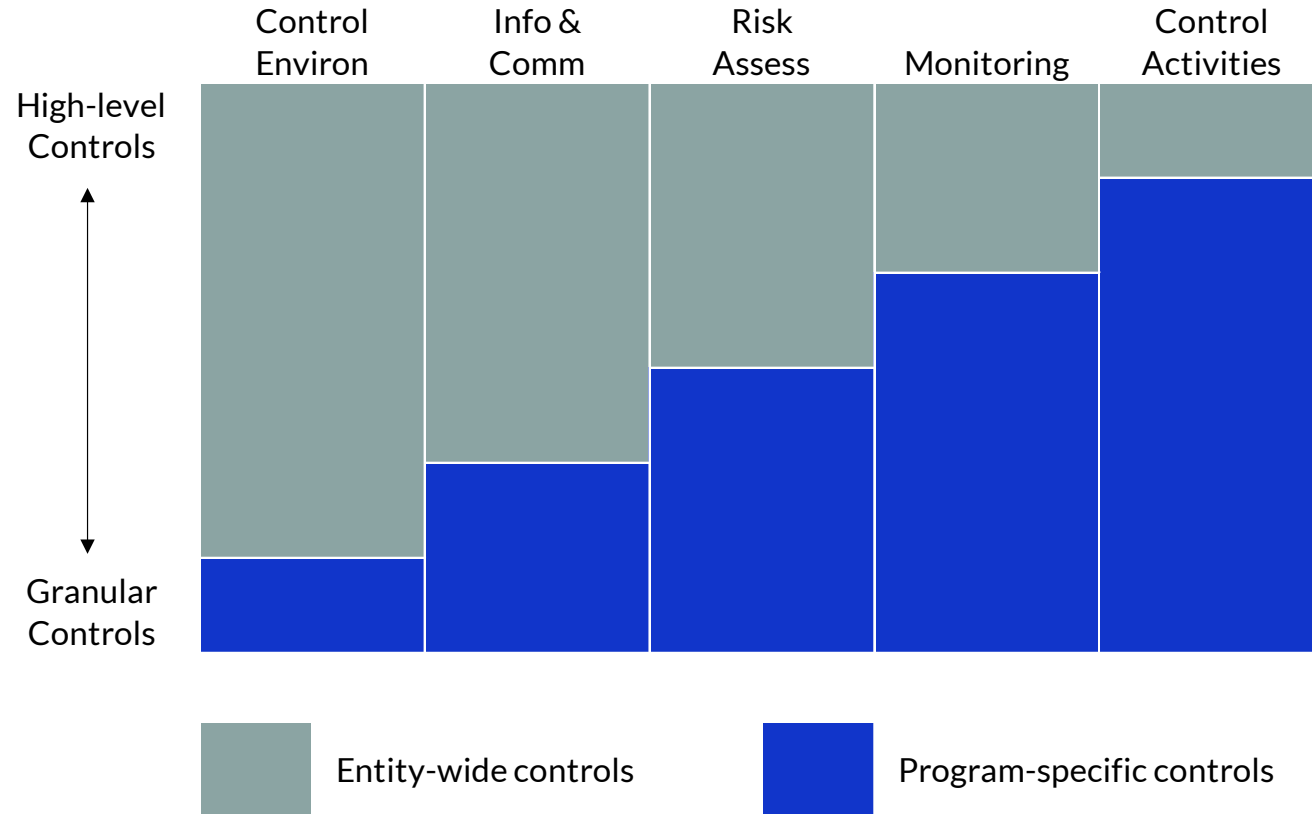
Standards for Financial Management

Other major provisions:

Payments (grant draws/advances)

Cost sharing/matching

Program income

Budget revisions requiring prior approval

Property standards (ownership/inventory)

Subrecipient monitoring/management

Procurement standards

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Standards for Financial Management

Procurement standards:

States may follow their own policies and procedures

All others must follow the general procurement standards

- Use documented procurement procedures

- No conflicts of interest

- Consider most economical purchase option

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Standards for Financial Management

Procurement standards:

States may follow their own policies and procedures

All others must follow the general procurement standards

- Use documented procurement procedures
- No conflicts of interest
- Consider most economical purchase option

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Standards for Financial Management

Procurement standards:

All procurement transactions must be conducted in a manner providing full and open competition.

Methods:

- Micro purchases < $10,000* (need only be "reasonable")
- Small purchases < $250,000 (obtain price quotes)
- Over $250,000:
  - Sealed bids/formal advertising
  - Competitive proposals
- Noncompetitive proposals (sole source)

1 2 3 4 5

General Standards

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Standards for Financial Management

Subrecipient Monitoring/Management:

Non-Federal entities may be recipients, subrecipients, or contractors (or beneficiaries for CRF/FRF)

Based on the substance of the agreement

Determining whether an agreement creates a subrecipient or contractor requires judgment

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Standards for Financial Management

Subrecipient Monitoring/Management:

A "subaward" is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient

A "contract" is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor

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Standards for Financial Management

Subrecipient Monitoring/Management:

Contractors:

1. Provide goods and services within normal business operations

2. Provides similar goods or services to many different purchasers

3. Normally operate in a competitive environment

4. Provide goods or services that are ancillary to the operation of the Federal program

5. Are not subject to compliance requirements of the Federal program as a result of the agreement

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Federal Cost Principles

Fundamental premises:

1. Applying these cost principles "should require no significant changes to sound internal accounting policies/procedures."

2. The "total cost" of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

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Federal Cost Principles

"Allowable" costs:

- Necessary and reasonable for the performance of the Federal award

- Conform to any limitations or exclusions set forth in these principles

- Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity

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Federal Cost Principles

Compensation — personal services

Principles - based

Allowable if:

- Reasonable for services rendered

- Follows local hiring policies

- Determined and supported in accordance with "Standards for Documentation" of Personnel Expenses

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Federal Cost Principles

Compensation — personal services

Records that accurately reflect the work performed

- Supported by a system of internal control

- Incorporated into the official records of the non-Federal entity

- Reasonably reflect the total compensated activity (100%)

- Encompass both federal and non-federal activity

- Comply with established accounting policies/practices

- Support the distribution of salaries/wages among activities

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Federal Cost Principles

Compensation — personal services

Budget estimates (before the fact) alone are not sufficient, unless:

- The system for budgeting produces a reasonable estimate

- Significant changes in actual work are identified and corrected

- Short-term fluctuations may be excluded, if the budget is reasonable over the longer term

- Internal controls include an after-the-fact review of budgeted charges, and makes corrections as necessary

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Preparing for a Single Audit: Best Practices

Preparing for a Single Audit

The Basic Preparation Checklist:

1. Prepare the SEFA

   - Reconcile revenue and expenditure accounts
   - Prepare grant tie-outs
   - Review grant agreements
   - Review any reports from granting agencies

2. Communicate with departments responsible for managing grants about audit timing

3. Ensure documentation is prepared for programs anticipated to be tested as Major

4. Review the compliance supplement and consider compliance activities

5. Review federal grants policies and consider compliance activities

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Preparing for a Single Audit

The Schedule of Expenditures of Federal Awards (SEFA)

- Required under 2 CFR § 200.510 Financial statements.

- Required to be presented as part of the single audit report.

- Should also be prepared even if single audit is not required.

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Preparing for a Single Audit

Required elements

- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name.

- For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

- Provide total Federal awards expended for each individual Federal program and the Assistance Listing Number or other identifying number when the Assistance Listing information is not available. For a cluster of programs also provide the total for the cluster.

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Preparing the SEFA

Pass through entity

Cluster Identification

U.S. Department of Transportation					
Highway Safety Cluster -					
National Priority Safety Programs -					
Strategic Traffic Enforcement Program - BELT/OWI	20.616	MOHSP	PT 21-35	-	26,014
Hazardous Materials Emergency Preparedness Grant	20.703	MSP	-n/a-	-	1,500
Total U.S. Department of Transportation				-	27,514

ALN Grant number

COVID-19 Indicator

U.S. Department of Treasury					
COVID-19 - Coronavirus Relief Fund:					
Public Safety/Public Health Payroll Reimbursement - General Fund	21.019	MDT	-n/a-	-	128,743
2020 CARES - MSHDA CRF-Eviction Diversion	21.019	MSHDA	HML-2020-783-CRF	105,819	106,498
2020 CARES - CRF Water & Plumbing Repair	21.019	MDHHS	SLT00040	-	13,246
CRF - LHD Contact Tracing	21.019	MDHHS	SLT00040	-	180,556
CRF - LHD Testing / Supplies	21.019	MDHHS	SLT00040	-	86,800
CRF - Immunizations	21.019	MDHHS	SLT00040	-	130,439
CRF - Rapid Response	21.019	MPHI	SLT00040	-	221,937
				105,819	868,219
COVID-19 - Emergency Rental Assistance Program (CERA) - 2021 CERA	21.023	MSHDA	HML-2021-783-CERA	13,995,453	16,124,497
COVID-19 - State and Local Fiscal Recovery Fund (SLFRF) 2021 SLFRF	21.027	Direct	-n/a-	-	48,480
Total U.S. Department of Treasury				14,101,272	17,041,196

Subtotal by ALN

Department Subtotal

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Preparing for a Single Audit

Major Programs

- Major programs are determined based on a risk assessment approach.
  - Generally, Type A programs are those with expenditures greater than $750,000
  - Generally, Type B programs are those with expenditures greater than $187,500
- Auditors are required to determine Type A and Type B programs
- Auditors will test ALL high-risk type A's and determine the need to assess Type B's.
- If a Type A program has not been tested in the last two years, it will be assessed as high-risk and is required to be tested.
- If a Type A program is assessed as high-risk COVID-19 dollars under the compliance supplement it is required to be tested regardless of prior year audits.
- This includes 84.425 (ESSER), 21.027 (SLFRF), and several other programs.

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Preparing for a Single Audit

Grant Tie-Outs

Documenting that grants tie-out to underlying financial information can take several forms.

However, the basic elements are:

- Clearly document the expenditures related to that federal award.

- Show that revenue equals expenditures for that award (or reconcile why revenue does not equal expenditures and for what reason).

- Reconcile cash received to revenue recognized

- Reconcile any accrued receivables at year end (and ensure the prior year accruals were received and properly relieved).

Fundamentals of SEFA Preparation

City XX				
Grant Reconciliation Worksheet				
6/30/2022				
Program Name:	CDBG			
Program Number:	B-17MC-26-0011			
CFDA Number:	14.218			
Federal Percentage:	100%			
Grant receipts		2,046,251		
Prior year (grant receivable)/deferred revenue		(381,055)		
Net grant receipts		1,665,196		
Grant receivable		434,143	274-000-03500	449,771 TB
Check Figure		2,099,339	274-000-53001	2,116,088 TB
Expenditures		2,386,400		
Less: Program Income		(287,061)		
Net expenditures		2,099,339		2,116,088

Preparing for a Single Audit

Compare grant agreements to information presented on the SEFA:

- Compare AL numbers and Agency names to grant documents
- Every grant with Federal funds should indicate the AL number and that number should match exactly
- Agency name may be in the grant (make sure it matches exactly) or can be determined based on AL number
- If no AL number is listed
  - Grantor hasn't followed the rules
  - Best practice would be to request information directly from grantor
  - Last resort, search https://beta.sam.gov/

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Preparing for a Single Audit

Communicate with departments responsible for managing grants

- Especially important if departments are managing grants expected to be tested as Major

- Departments should identify their point of contact for central finance to respond to audit requests

- It should be made explicit whether departments are expected to communicate directly with auditors or funnel requests through central finance

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Preparing for a Single Audit

Compile and review compliance documentation for programs anticipated to be tested as Major:

- Reporting
- Procurement
- Suspension & Debarment
- Evidence of Matching
- Equipment & Real Property Management
- Subrecipient monitoring
- Special Tests and Provisions

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Common Issues and Pitfalls (SEFA Preparation)

Common Problems and Pitfalls:

1) The Schedule of Expenditures of Federal Awards
2) Submitting the Data Collection Form
3) Decentralization of Grant Compliance Responsibility
4) State Specific Requirements

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Preparing the SEFA
Common Issues and Pitfalls

Common Problems with SEFA Preparation

Timing

Completeness

Accuracy

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Common Problems with SEFA Preparation: **Timing**

- If the SEFA is not prepared at the beginning of audit fieldwork, auditors cannot determine major programs or begin compliance work
- Delays in SEFA preparation may delay your audit completion and submission.
- Drawdowns haven't been done in a timely fashion.

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Common Problems with SEFA Preparation: **Completeness**

- Missing grants (either entire federal awards or specific cost centers have been excluded).

- Federal revenue does not agree to the SEFA (and/or no reconciliation has been prepared)

- Federal vs State grants have not been investigated.

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Common Problems with SEFA Preparation: **Accuracy**

- ▪ Revenue and expenditures are not separated in the ledger in a way that allows an analysis of grants (IE cost centers)
- ▪ No preparation of grant-tie outs in a summary format that include cost centers. A leading cause of inefficient audit work.

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Common Problems with SEFA Preparation: **Accuracy**

- SEFA does not foot- calculation errors in adding up grants.
- AL numbers haven't been verified against the grant agreement or communications for the granting agency.
- Well documented methodology for determining indirect costs.

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Decentralization of Grant Compliance Responsibility
The Schedule of Expenditures of Federal Awards

If grants are managed through decentralized departments:

- Those departments should be well-trained and aware of audit requirements
- Communication is vital – if audit requests are not readily understood, inefficiency and misunderstanding can arise quickly
- Departments should be aware of the planning meetings held with auditors and the audit timeline

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State Specific Audit Requirements:

- Some States issue specific audit guidance in addition to the OMB Compliance Supplement
  - Example: MDE issues an Audit Guide for Michigan School Districts to supplement guidance for auditors
- Be aware of these requirements as States are normally very involved in grant compliance as they are the largest pass-through agencies for local government units
- If you're involved at the State level, be aware of both additional requirements for States from the Feds and the requirements locals are being asked to follow

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**Area of Emphasis:
Subrecipient Monitoring**

Uniform Guidance (2 CFR 200) – Subpart D Standards for Financial Management

Subrecipient Monitoring/Management:

A "subrecipient" is an entity, usually but not limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal award; but does not include an individual that is a beneficiary of such award. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

CRF/FRF broadened beneficiaries to include entities

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Beneficiary Compliance (CRF/FRF):

Under the Uniform Guidance, the question of whether an entity is a subrecipient or beneficiary depends on whether it uses the funds to carry out a program on behalf of the recipient. CSLFRF recipients are permitted to use award funds to establish grant programs to provide grants to organizations such as, small businesses and non-profits to respond to the negative economic impacts of the COVID-19. In these cases, these organizations would be beneficiaries of the CSLFRF award funds rather than subrecipients since they are not using the payments to carry out a program on behalf of the CSLFRF recipient. In this case, such organizations would not be subject to audit pursuant to the Single Audit Act and 2 C.F.R. Part 200, Subpart F.

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Contractor Compliance:

In most cases, the auditee's compliance responsibility for a contractor is to ensure only that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements. A program's compliance requirements normally do not pass through to contractors.

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Subrecipient monitoring is required as part of the requirements for pass-through entities under 2 CFR § 200.332

- Section (d) provides the requirements for subrecipient monitoring
- Monitoring should be performed in the context of other pass-through entity requirements

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Pass through entities must:

- Ensure the subaward clearly identifies the grantee as a subrecipient and explicitly pass through requirements
- Evaluate risk of noncompliance by subrecipients
- Consider imposing specific subaward conditions
- Monitor activities of the subrecipient by:
  - Review financial and performance reports
  - Follow up to ensure subrecipient takes timely and appropriate action
  - Perform during the award monitoring as applicable
  - Issue a management decision

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Subrecipient Monitoring and Issuing Management Decisions

Pass through entities must:

- Depending on the entity's assessment of risk, perform during the award monitoring
- Verify that the subrecipient is audited as required
- Consider whether the subrecipient's audits indicate adjustments to the granting entity's own records
- Consider taking enforcement action against noncompliant subrecipients

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Management decisions are required under 2 CFR § 200.521

A good management decision requires the auditor to provide sufficient detail and clarity for the auditee to prepare a corrective action plan and take corrective action.

Granting agencies should review both the:
- Corrective action plan submitted by the auditee
- Actual text of the finding from the auditor

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Management decision best practices:

- Management decisions must clearly state whether the audit finding is sustained
- Reasons for the decision
- Expected auditee action (including repayment of disallowed costs)
- If corrective action has not already been taken, a timetable for follow up should be given
- Request additional information for context and describe if an appeals process has been made available to the auditee.

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2023 Compliance Supplement Updates

2 CFR 200, Appendix XI
Compliance Supplement

Issued annually to assist auditors conducting single audits and identify auditee responsibilities

"May 2023" edition (released 05/23/2023) is over 2,000 pages long, but still not all-inclusive.

COVID-19 addenda were issued in 2020 and 2021, but no addenda was issued for 2022 or 2023. No addenda is expected for 2023.

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2 CFR 200, Appendix XI
Compliance Supplement

High-Level Overview:

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

- Updated for the effective date of Supplement, streamlined language in Background, Purpose, Applicability and How to Obtain Additional Guidance sections, included information on the FAC transition and Single Audit Extensions within the Other Audit Advisories section.

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Part 2 – Matrix of Compliance Requirements

- Matrix of Compliance changes and corrections were made for 2023. Changes are shown in yellow highlights.

EXAMPLE:

Requirement	A	B	C	E	F	G	H	I	J	L	M	N
	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Program Number												
20.218/20.237 (FMCSA-Cluster)	Y	Y	N	N	Y	Y	Y	N	Y	Y	N	N
20.219 (Decoupled)	Y	Y	N	N	Y	Y	N	Y	N	N	Y	Y
20.223	Y	Y	N	N	N	N	Y	N	N	N	N	Y
20.224 (Decoupled)	Y	Y	N	N	Y	Y	N	Y	N	N	Y	Y
20.315	Y	Y	N	N	Y	Y	N	Y	N	Y	N	Y
20.319	Y	Y	N	N	N	N	Y	Y	N	Y	Y	Y
20.327 (NEW)	Y	Y	Y	N	N	Y	N	Y	N	N	N	N

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Part 3 – Compliance Requirements

- Updated Introduction for the effective date of the Supplement, updated Cash Management.

The reimbursement payment method is the preferred payment method if (a) the non-federal entity cannot the meet the requirements in 2 CFR section 200.305(b)(1) for advance payment, (b) the federal awarding agency sets a specific condition for use of the reimbursement or (3) if requested by the non-federal entity (2 CFR sections 200.305(b)(3) and 200.207)). The reimbursement payment method also may be used on a federal award for construction or for other construction activity as specified in 2 CFR section 200.305(b)(3), ~~program costs must be paid by non-federal entity funds before submitting a payment request (2 CFR section 200.305(b)(3)) (i.e., the non-federal entity must disburse funds for program purposes before requesting payment from the federal awarding agency or pass-through entity).~~

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Part 3 – Compliance Requirements

- Updated cash management language appears to have been primarily to remove conflicting language with 2 CFR 200.305(b)(3) as this requirement does not actually exist in the uniform guidance.

- There are some situations in which Uniform Guidance allows drawdown for expenditures when incurred even if not actually paid. Removing this language eliminates this contradiction.

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Part 3 – Compliance Requirements

- Included Build America Buy America Act (BABAA) requirement to Procurement and Suspension and Debarment.

  - Suggested Audit Procedures – Compliance: Select a sample of procurement agreements for infrastructure projects subject to Build America Back BABAA and test whether the non-federal entity included the Buy America domestic preference provisions in each agreement or obtained a BABAA waiver.

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2 CFR 200, Appendix XI, Part 8, Appendix V Compliance Supplement - Changes

Part 4 – Agency Program Requirements

Changes were made to a significant number of programs and clusters including:

- 84.425-Education Stabilization Fund (ESF)
- 21.027 -Coronavirus State and Local Fiscal Recovery Funds
- 21.029 -Coronavirus Capital Projects Fund Program
- 97.036-Disaster Grants-Public Assistance (Presidentially Declared Disasters)

And many others…

Part 5 – Clusters of Programs

- Part 5.1 -No Change.

- Part 5.2 – No Change.

- Part 5.3 – Updated for the effective date of Supplement, changes within Activities Allowable/Unallowed, Cash Management, Eligibility, Reporting and Special Tests.

- Part 5.4 – Removed the Highway Planning and Construction Cluster (20.205, 20.219, 20.224, 23.003).

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Part 8 – Appendixes

Appendix III – Federal Agency Single Audit, Key Management Liaison, and Program Contacts

- Updated for this year's program contacts.

Appendix IV – Internal Reference Tables

- Updated the list of programs currently designated as high risk.

- Updated the list of programs with requirements defined in IV, "Other Information."

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2 CFR 200, Appendix XI, Part 8, Appendix V Compliance Supplement - Changes

2022 High Risk programs removed in 2023

Agency	Assistance Listing (CFDA) Number	Title
Education*	84.425	Education Stabilization Fund
FCC*	32.009	Emergency Connectivity Fund Program
HHS*	93.461	Testing for the Uninsured
HHS*	93.498	Provider Relief Fund
HHS**	93.778/93.777/93.775	Medicaid Cluster
Transportation**	20.106	Airport Improvement Program
Transportation**	20.500/20.507/20.525/20.526	Federal Transit Cluster
Transportation**	20.315	National Railroad Passenger Corporation Grants
Treasury*	21.023	Emergency Rental Assistance
Treasury*	21.027	Coronavirus State and Local Fiscal Recovery Funds

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Agency	Assistance Listing (CFDA) Number	Title
Education*	84.425	Education Stabilization Fund
HHS*	93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
HHS**	93.778/93.777/93.775	Medicaid Cluster
Treasury*	21.023	Emergency Rental Assistance

Compliance Supplement 2023   8-IV-1   Appendix IV

2023 High Risk Programs added

May 2023   Internal Reference Tables

Treasury*	21.026	Homeowner Assistance Fund
Treasury*	21.027	Coronavirus State and Local Fiscal Recovery Funds
Treasury*	21.029	Coronavirus Capital Projects Fund
Interior **	15.252	Abandoned Mine Land Reclamation (AMLR)
Social Security	96.001/96.006	Disability Insurance/Supplemental Security Income

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2 CFR 200, Appendix XI, Part 8, Appendix V Compliance Supplement - Changes

A "higher risk" designation will often result in a Type A program or other cluster being audited as a major program. However, an auditor is not precluded from determining that a "higher risk" Type A program or other cluster qualifies as a low risk Type A program if both of the following criteria are met:

- the program otherwise meets the criteria for a low-risk Type A program in section 200.518 of the Uniform Guidance; and
- the percentage of COVID-19 funding or IIJA funding in the program or other cluster during the non-federal entity's fiscal year is not material to the program or other cluster as a whole.

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Appendix VII – Other Audit Advisories

- Updated for the effective date of the Supplement, included FAC transition information and Single Audit Extensions.
  - Codifies in the compliance supplement the extension periods that were available to recipients during 2022 due to the transition of the SF-SAC to the General Service Administration (GSA).

Appendix VII – Program-Specific Audit Guides updated

- Department of Education
  - Audit Guides for Student Aid Programs (https://www2.ed.gov/about/offices/list/oig/nonfed/index.html)
- Department of Housing and Urban Development
  - HUD Consolidated Audit Guide (HUD Consolidated Audit Guide | Office of Inspector General, Department of Housing and Urban Development (hudoig.gov))

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Reporting
FFATA

Requires reporting by prime (direct) recipients of first-tier subawards (or amendments of subawards) that results in an obligation of $25,000 or more in federal funds

Reported at FSRS.gov (FFATA Subaward Reporting System)

Info is publicly available at www.usaspending.gov

Appendix VII
COVID-19 Advisories

COVID-19 funding defined:

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARPA)

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Appendix VII
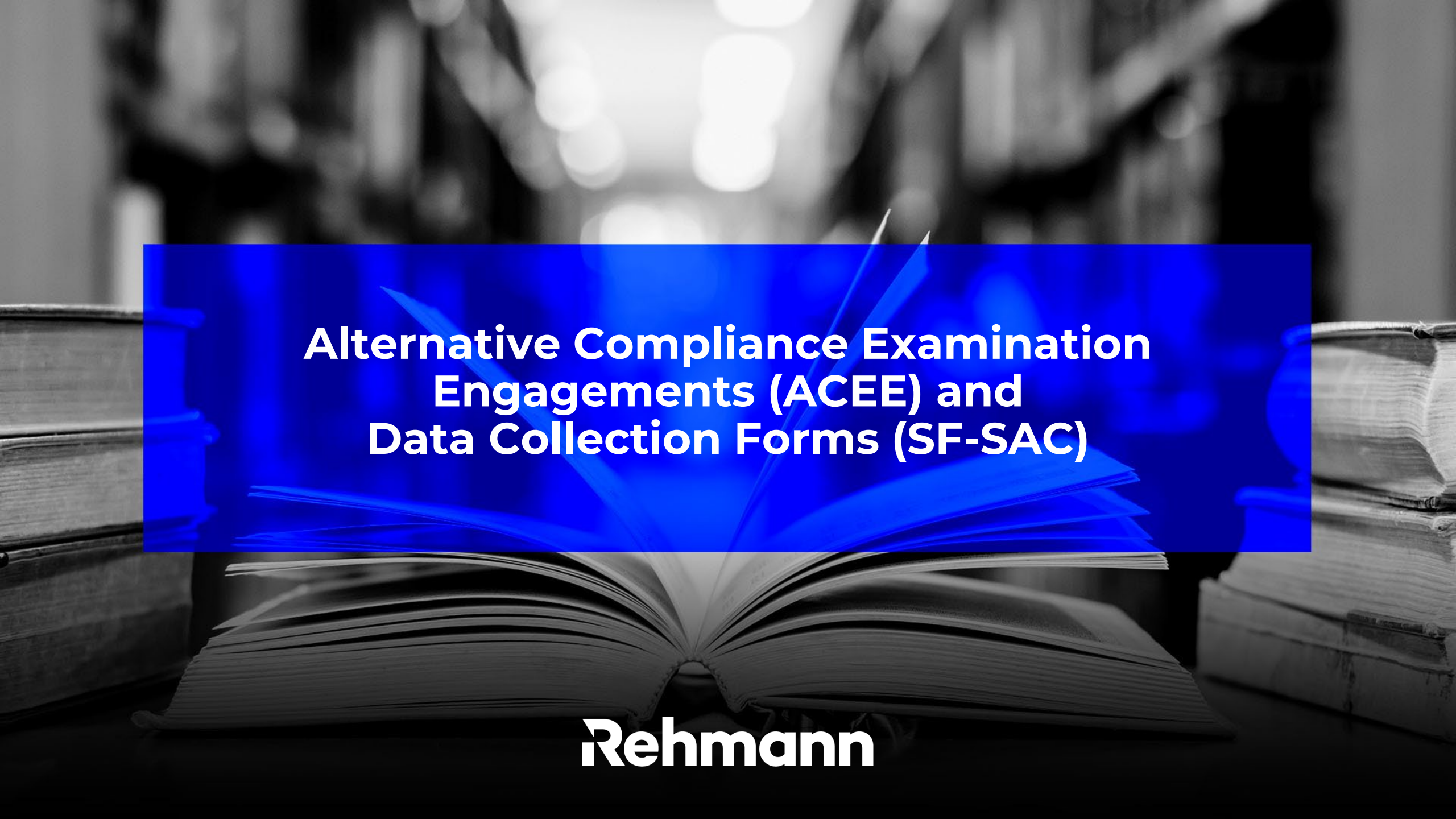# COVID-19 Advisories

Identifying COVID-19 funding on the SEFA:

- Separately list the COVID-19 portion of awards
- Use the prefix "COVID-19" before the program name

Temporary Assistance for Needy Families	93.558	$3,000,000
COVID-19 – Temporary Assistance for Needy Families	93.558	1,000,000
Total – Temporary Assistance for Needy Families	93.558	$4,000,000

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Identifying COVID-19 funding on the DCF:

	a	b	c	d	e	f	g	h
	Assistance Listing #	Assistance Listing #						
Row Number (auto-generated)	Federal Awarding Agency Prefix	Assistance Listing Three-Digit Extension	Additional Award Identification	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total (auto-generated)	Cluster Total (auto-generated)
					($)		($)	($)
1	93	558		TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	$3,000,000.00		$4,000,000.00	
2	93	558	COVID-19	COVID-19 - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	$1,000,000.00		$4,000,000.00	
				Total Federal Awards Expended =	$4,000,000.00			

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Alternative Compliance Examination Engagements (ACEE) and Data Collection Forms (SF-SAC)

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Alternative Compliance Examination Engagements
How Does the CSLFRF Alternative Differ
from a Single Audit (or Program-Specific)

A financial statement audit is not required

A SEFA is not prepared

The requirements for internal control in Uniform Guidance section 200.514(c) are not required for this engagement

- AT-C 315.15 only requires the practitioner to obtain an understanding of relevant portions of internal control over compliance sufficient to plan the engagement and to assess control risk for compliance with specified requirements.

Involves testing of the compliance requirements, but they are more narrowly scoped than those in a full single audit

The engagement reporting is simplified

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CSLFRF recipients that expend $750,000 or more during the recipient's fiscal year in Federal awards, and which meet <u>both</u> criteria listed below, have <u>the option</u> to follow the alternative CSLFRF compliance examination engagement:

1. The recipient's total CSLFRF allocation received directly from Treasury or received as a non-entitlement unit of local government is below the $10 million revenue loss standard allowance; AND

2. Other Federal expenditures not from the CSLFRF allocation in 1. above are less than $750,000 during the recipient's fiscal year.

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Practitioner's Examination Report

- Provides an opinion on specified compliance requirements
- States in accordance with both GAAS and GAGAS

Reporting findings, if applicable

- Findings may involve SD and MW in internal control and noncompliance that could be material to the subject matter of the examination; or instances of fraud

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Question - When are these engagements due and where do they get submitted?

The submission deadline is same as the Uniform Guidance (i.e., the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period).

Additional instructions for where and how to submit the results of the alternative compliance examination engagement will be forthcoming and posted to the Treasury CSLFRF Web site.

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Data Collection Forms
Important Announcements

The FAC will transition from the U.S. Census Bureau (Census) to the U.S. General Services Administration (GSA) on October 1, 2023. At that time, all submissions will need to be made through the new FAC hosted by GSA, including all single audits for entities with 2023 FYE dates. Any draft not fully submitted to the Census FAC before September 30, 2023 may need to be completely re-started at the new GSA FAC.

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Data Collection Forms
Important Announcements

For any 2023 submissions with fiscal periods ending between January 1, 2023 and September 30, 2023, requirement 2 CFR 200.512(1) stating that single audits are due to the Federal Audit Clearinghouse 30 days after receipt of the auditor's report(s), is waived. These audits will be considered on time if they are submitted within nine months after their fiscal period end date.

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CPE Prompt 5 of 5

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Online Resources

AICPA Single Audit Resource Center

www.aicpa.org/interestareas/governmentalauditquality/resources/singleaudit.html

OMB Compliance Supplement (PDF)

www.whitehouse.gov/omb/management/office-federal-financial-management/

CFO Council

cfo.gov/policies-and-guidance/

Data Collection Form

facides.census.gov/

Yellow Book

www.gao.gov/yellowbook/overview

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Questions?

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