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Challenges in Single Audits

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SENIOR PARTNER

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Diane is a Senior Partner at Maher Duessel in Pittsburgh, PA. She has over 30 years of experience in public accounting and has always concentrated on Single Audits.

She is a Single Audit specialist and is the designated audit partner responsible for quality controls that are required by our participation in the AICPA Governmental Audit Quality Center.

- ❑ Teaches for AICPA
- ❑ Member of Steering Committee of AICPA NPO Conference 2012-2017
- ❑ Prior member of the Executive Committee of the AICPA GAQC



Disclaimers

- ❑ This is an overview and not meant to capture all elements
- ❑ Refer back to Uniform Guidance and the 2021 Compliance Supplement and Addendum
- ❑ Opinions are my own and do not reflect the opinion of Maher Duessel

TODAY'S TOPICS

- Overview**
- 2021 Compliance Supplement**
- The SEFA**
- Major Program Determination**
- Auditing Compliance and Internal Control**
- Additional Notes**

Opening Thoughts



The Rules
Keep Changing

Document
Your Thoughts



The toughest I
have seen in 30
years!!!!

Overview

Single Audits

- ❑ Required when a state, local government or NFP expends \$750,000 or more of federal awards (either direct or indirect awards) in their fiscal year
- ❑ Auditor expresses an opinion on compliance with each of an entity's major federal programs and reports internal control deficiencies and findings noted
- ❑ Single Audits are highly specialized and quality has been a concern

Steps in a Single Audit

- The SEFA
 - Major Program Determination
 - Test Major Program
 - Direct and Material Compliance
 - Internal Control over Compliance
 - Testing auditee following of Admin Requirements and Cost Principles
 - Reporting
- ▶ **Uniform Guidance: Subpart F - Audit Requirements 200.5xx**
- ▶ Compliance Supplement



Uniform Guidance - UG

2 CFR Part 200

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Nonfederal Entity

Auditors

Federal Agencies

Who Uses
Uniform
Guidance?

Uniform Guidance for Federal Awards Contents

- ▶ **Subpart A - Acronyms and Definitions 200.xx**
- ▶ **Subpart B - General Provisions 200.1xx**
- ▶ **Subpart C - Pre-Federal Award Requirements and Contents of Federal Award 200.2xx**
- ▶ **Subpart D – Post-Federal Award Requirements 200.3xx**
- ▶ **Subpart E - Cost Principles 200.4xx**
- ▶ **Subpart F - Audit Requirements 200.5xx**
- ▶ **Appendix I-XI**
 - ▶ **Appendix XI is the Compliance Supplement**

Timeline on COVID Funding



MARCH 2020 – CARES ACT
SIGNED INTO LAW



DECEMBER 2020 - CRRSAA
SIGNED INTO LAW



MARCH 2021 – ARP
SIGNED INTO LAW

Much of this activity had significant single audit impact

Largest COVID-19 Federal Programs Subject to Single Audit to Date



Coronavirus State and Local Fiscal Recovery Fund (\$350B)

Federal Agency: Treasury
Governmental entities and tribes
Is subject to single audit
AL#: 21.027

Provider Relief Fund (\$175B)

Federal Agency: HHS
For-profits, NFPs, governmental entities
Is subject to single audit
AL#: 93.498



Educational Stabilization Fund (\$278B)

Federal Agency: Education
States, schools, IHE
Is subject to single audit
AL#: 84.425

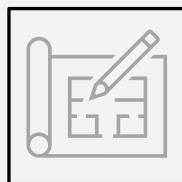
Coronavirus Relief Fund (\$150B)

Federal Agency: Treasury
Governmental entities and tribes
Is subject to single audit
AL#: 21.019

This COVID-19 funding will greatly impact the programs that will be audited in a single audit as major programs



Single Audits accepted by the FAC during 2020 was 40,239



Anticipate at least 10,000 new Single Audits due to PRF and the new CSLFRF

Burden of More Single Audits

GAQC Resources

www.aicpa.org/GAQC

Governmental Audit Quality Center

- Alerts
- Web events
- Auditor resources
- GASB matters
- HUD information
- Auditee Resource Center

2021 Compliance Supplement

Overview of the Compliance Supplement

- ❑ Issued August 12, 2021; Corrected version August 25th
- ❑ Available on [OMB Web Site](#)
- ❑ Effective for audits of fiscal years beginning after June 30, 2020 (i.e.: June 30, 2021 and later year-ends)
- ❑ 1,788 pages long if you have the correct version
 - Was 1,787 pages long
- ❑ Likely to have two Addenda
 - Early fall - Made available December 3rd
 - Late fall

COVID-19 Funding in Year 2

- ❑ In Year 1, COVID-19 funding was primarily the CARES Act
- ❑ In Year 2, includes all new and existing programs (subject to Single Audit)
 - Coronavirus Aid, Relief and Economic Security Act (CARES)
 - Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
 - American Rescue Plan Act (ARPA or ARP)

ARP Programs

- ❑ OMB has been polling agencies to identify (1) new American Rescue Plan Act programs (and whether subject to single audit) and (2) which existing programs received ARPA money
- ❑ This information will be posted on cfo.gov when available

Compliance Supplement Contents

- 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

Compliance Supplement Contents – Part 8 Appendices

- I Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200
- II Federal Agency Codification of Government-wide Requirements
- III Federal Agency Single Audit, Key Management Liaison, and Program Contacts
- IV Internal Reference Tables
- **V List of Changes for the 2021 Compliance Supplement**
- VI Program-Specific Audit Guides
- **VII Other Audit Advisories**
- VIII Examinations of EBT Service Organization
- IX Compliance Supplement Core Team

Appendix V, List of Changes for 2021

- Part 2, Matrix of Compliance Requirements
 - Where there have been changes, identifies those requirements in bold and yellow highlighting
 - 6-requirement mandate continues for 2021

12 Compliance Requirements

- **A- Activities Allowed or Unallowed**
- **B - Allowable Costs/Cost Principles**
- **C- Cash Management**
- **E - Eligibility**
- **F - Equipment and Real Property Management**
- **G - Matching, Level of Effort, and Earmarking**
- **H - Period of Performance**
- **I - Procurement and Suspension and Debarment**
- **J - Program Income**
- **K - Reporting**
- **L - Subrecipient Monitoring**
- **M - Special Tests and Provisions**

Appendix V, List of Changes for 2021

- Part 3, Compliance Requirements
 - Updates throughout to reflect the August 2020 Uniform Guidance revisions
 - Updated UG effective November 12, 2020
 - If testing award made prior to 11/12/2020, go back to 2020 Compliance Supplement Part 3

Appendix V, List of Changes for 2021

- Part 3, Compliance Requirements
 - Definitional changes
 - Period of performance
 - Procurement
 - Performance and financial monitoring and reporting
 - Requirements for pass-through entities
 - Indirect costs

Appendix V, List of Changes for 2021

- Part 3, Compliance Requirements
 - 3.1 Procurement and Suspension and Debarment waiver

Due to the challenge and burden for an entity of adopting increased purchase thresholds policies for awards provided by certain agencies, but not for awards provided by other agencies, auditors are not expected to develop audit findings for entities that have implemented increased purchase thresholds for all awards after November 12, 2020.

Appendix V, List of Changes for 2021

- Part 3, Compliance Requirements (cont.)
 - Reporting Requirement
 - Clarification made in the Performance and Special Reporting section. As it relates to programs that do not identify key line items in Part 4, Agency Program Requirements, and Part 5, Clusters of Programs, **guidance instructs auditors to only test that the report was submitted in a timely manner.** Additionally, if key line items would not be quantifiable and capable of evaluation against objective criteria, the auditors are not required to test.

Appendix V, List of Changes for 2021

- Part 3, Compliance Requirements (cont.)
 - Federal Funding and Accountability and Transparency Act (FFATA)
 - The reporting type of compliance requirement is marked as a Y in Part 2 and auditor determines Reporting to be direct and material and
 - The recipient makes first-tier subawards of \$25,000 or more (bumped to \$30,000 in new UG) to report subaward data through the FFATA Subaward Reporting System
 - Although the CRF program identified Reporting as Y, CRF is not subject to FFATA reporting based on Treasury OIG Reporting Guidance

Appendix V, List of Changes for 2021

□ Part 4, Programmatic

- Education Stabilization Fund (ESF) is identified as a higher risk program and has numerous changes and updates
 - Section 1 (A,C,D,H and R) has not been updated for ARPA funding
 - GO TO APPENDIX 1 which also includes U and X
 - Section 2 (HEERF: E,F,J,K,L,M,N and S) has been updated for both CRRSAA and ARP
- Errors seen in prior audits not including all letters of 84.425 as the major program-challenges in testing
- When expenditures under B,G,P,V,W and Y, auditors must refer to Part 7 of the CS

ED 8/9/21 Memo

- ❑ Guidance on Letters for 84.425 on DCF
- ❑ Memo says it is effective for all single audit submissions that include ED programs on or after 8/9/21

	a	b	c	d
Row Number (auto generated)	Federal Awarding Agency Prefix	CFDA Three-Digit Extension	Additional Award Identification	Federal Program Identification
1	84	425	COVID-19, 84.425E	Education Stabilization Fund

Appendix V, List of Changes for 2021

□ Part 4, Programmatic

- Coronavirus Relief Fund (CRF) is identified as higher risk
 - Does clarify that FATA does not apply
 - Uniform Guidance Cost Principles do not apply, **Treasury Guidance applies**
- Provider Relief Fund (PRF) is identified as higher risk program
 - Clarified timing of expenditures and lost revenue to report on the SEFA
 - Key line items in the PRF Reporting Portal submission

Appendix V, List of Changes for 2021

- Part 5, Student Financial Assistance
 - Numerous compliance requirement changes
 - Removal of Matching, Level of Effort and Earmarking
 - Revisions under Special Test and Provisions
 - And two new requirements under Special Test and Provisions
 - Auditors are directed to an Excel spreadsheet on the U.S. Department of Education Web site for purposes of providing the detailed sampling information ED has been collecting for the last few years

Appendix V, List of Changes for 2021

- ❑ Part 5, Other Clusters
 - 10.579 was added to the Child Nutrition Cluster
 - Agriculture Foreign Aid Donation Cluster was deleted
 - **No new clusters will be formed by ARP Assistance Listing Numbers nor will ARP be added to existing other clusters**

- ❑ Appendix II, updated to reflect which agencies have adopted 2020 revision to UG

Appendix V, List of Changes for 2021

- Appendix IV, Internal Reference Tables. Greatly expanded to identify several programs as higher risk:
 - Medicaid Cluster
 - Provider Relief Fund 93.498
 - COVID-19 Uninsured 93.461
 - Airport Improvement Program 20.106
 - Federal Transit Cluster
 - Coronavirus Relief Fund 21.019
 - Emergency Rental Assistance 21.023
 - Education Stabilization Fund 84.425



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Appendix V, List of Changes for 2021

- Appendix VII, Other Audit Advisories
 - Single Audit Due Dates (see slide)
 - Donated PPE as a footnote
 - Auditors may consider Agency Guidance for understanding the program, but auditors should refer to a statute, regulation, or term and condition as criteria for audit findings
 - Identification of COVID-19 Awards
 - OMB is currently working to issue a new summary to identify new ARP programs. <https://www.cfo.gov/policies-and-guidance/>

Appendix V, List of Changes for 2021

□ Appendix VII, Other Audit Advisories

I. Novel Coronavirus (COVID-19)

- Identification of Compliance Requirements for COVID-19-Related Awards: the first release of the CS does not include new programs related to ARP or CRRSAA or information on modified compliance requirements.
- For programs not in the addendum, use Part 7 of the CS

Appendix V, List of Changes for 2021

□ Appendix VII, Other Audit Advisories

- States there will be ~~one~~ addendum
 - Since CS was issued, plan is now for two addendum
 - **Will be posted on cfo.gov not on the OMB web-site**
 - Early Fall – SLFR (21.027) and update to ESF
 - Now available: December 3, 2021

OMB Update Issued December 3rd

- 2nd Addendum yet to come
 - USDA 10.542 Pandemic EBT- Food Benefits
 - USDA 10.649 Pandemic EBT- Adm Costs
 - HHS 93.575 Child Care and Development Block Grant
 - HHS 93.499 Low Income Household Water Assistance Program
 - **HHS 93.558 TANF**
 - HUD 14.871 Section 8 Housing Choice Vouchers
 - DOT 20.315 National Railroad Passenger Corporation Grants

Addenda

- ❑ Will be posted cfo.gov
- ❑ GAQC recommends that auditors wait for the Addenda when auditing one of the programs, include as a major program
 - It provides time for the agencies to finalize program rules and it also provides auditors with a much better understanding of agency expectations

6-Month Single Audit Extension at a Glance

ATTACHMENT – SNAPSHOT OF IMPACT OF 6-MONTH EXTENSION PROVIDED BY OMB MEMO 21-20 FOR AUDITS NOT SUBMITTED AT 3/19/21

Fiscal Year End	Normal Due Date*	Extended Due Date*
June 30, 2020	March 31, 2021	September 30, 2021
July 31, 2020	April 30, 2021	October 31, 2021
August 31, 2020	May 31, 2021	November 30, 2021
September 30, 2020	June 30, 2021	December 31, 2021
October 31, 2020	July 31, 2021	January 31, 2022
November 30, 2020	August 31, 2021	February 28, 2022
December 31, 2020	September 30, 2021	March 31, 2022
January 31, 2021	October 31, 2021	April 30, 2022
February 28, 2021	November 30, 2021	May 31, 2022
March 31, 2021	December 31, 2021	June 30, 2022
April 30, 2021	January 31, 2022	July 31, 2022
May 31, 2021	February 28, 2022	August 31, 2022
June 30, 2021	March 31, 2022	September 30, 2022

* Per section 200.512 of the Uniform Guidance, if the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. Dates in these columns have NOT been adjusted accordingly for those situations.

Appendix V, List of Changes for 2021

- Appendix VII, Other Audit Advisories
 - II. Effect of Changes to Compliance Requirements and Other Clusters
 - III. Due Date for Submission of Audit Reports and Low-Risk Auditee Criteria
 - IV. Treatment of National Science Foundation and National Institutes of Health Awards
 - V. Exceptions to the Guidance in 2 CFR Part 200
 - VI. Audit Sampling

The Schedule of Federal Expenditures (SEFA)

Auditee

- Must prepare financial statements, including SEFA, in accordance with §200.510 financial statements (§200.508(b))
- Include SEFA in the reporting package submitted to FAC (§200.512(c))

Auditor

- Determine and issue an opinion (or disclaimer) on whether SEFA is fairly stated in relation to the financial statements (§200.514(b), §200.515(a))
- Use the SEFA to determine major programs to audit

Federal Agencies / Pass-Through Entities

- Provide data about federal awards necessary to prepare an appropriate SEFA (§200.210)
- Use the SEFA for their oversight and monitoring purposes

CRF – Subrecipient vs Beneficiary

- ❑ Entity (other than recipient) receiving the funds is a subrecipient, beneficiary, or a contractor
 - Treasury reporting portal adds to the confusion; the only option for reporting disbursement to a beneficiary is to identify it in the subrecipient data field
- ❑ Need to go back to PTE to make the determination if none has been made
 - Get the designation in writing
- ❑ Ultimately, it is the PTEs responsibility to make the determination

PRF – Amounts to be Reported on the SEFA Clarified

Year end	What is included on the SEFA?
Before 6/30/2021	No PRF
6/30/2021 through 12/30/2021	Total expenditures and lost revenues from the <u>Period 1</u> report submission to the PRF Reporting Portal
12/31/21 through 6/29/22	Total expenditures and lost revenues from the <i>BOTH</i> <u>Period 1</u> and <u>Period 2</u> report submission to the PRF Reporting Portal
6/30/22 or after	SEFA reporting guidance to be provided at a later date in 2022 Supplement

PRF Timing of Reporting to HHS Clarified

Reporting Portal Period	Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)	Period of Availability	Deadline to Use Funds	PRF Portal Reporting Time Period
Period 1	April 10, 2020 to June 30, 2020	January 1, 2020 to June 30, 2021	June 30, 2021	July 1, 2021 to September 30, 2021
Period 2	July 1, 2020 to December 31, 2020	January 1, 2020 to December 31, 2021	December 31, 2021	January 1, 2022 to March 31, 2022
Period 3	January 1, 2021 to June 30, 2021	January 1, 2020 to June 30, 2022	June 30, 2022	July 1, 2022 to September 30, 2022
Period 4	July 1, 2021 to December 31, 2021	January 1, 2020 to December 31, 2022	December 31, 2022	January 1, 2023 to March 31, 2023

Extended
11/30

SEFA

- SEFA Reporting of COVID-19 Programs
 - General rule for SEFA inclusion
 - Underlying activity occurs
 - There is an award/terms of conditions
 - **Not necessarily tied to GAAP recognition of revenue**
 - New COVID-19 programs introduce challenges to normal process
 - Cash received well before the award/terms of conditions is agreed to
 - NEW concept of “lost revenue”
 - Expanded ability to choose which costs are charged to a particular award
 - Constant change is the new normal

SEFA

- SEFA Reporting of COVID-19 Programs
 - When is there an award (or terms and conditions)
 - Very challenging to determine in some cases, especially when funds are received in advance
 - Typical awarding process was not followed due to the pandemic
 - May not be a “signed” document

SEFA

- SEFA Reporting of Education Stabilization Fund (ESF) Program
 - Program nuance examples
 - ED's use of one assistance listing number with alpha characters provides challenges:
 - Auditors have missed major program over Type A threshold
 - Auditors have audited a portion of the program, but not all
 - ✓ Audited HEERF student portion but not the institutional portion
 - Be sure to subtotal all ESF funding, as it is one program
 - HEERF student portion program could be erroneously included in the SFA cluster
 - Each tranche of funding is guided by different rules

SEFA

- ❑ SEFA Reporting of (Coronavirus Relief Fund) CRF Program
 - Program challenges, including “out of period” amounts
 - Subrecipients do not have an official subaward at 06/30/2020, so CRF gets reported on the 06/30/2021 SEFA
 - FEMA may replace certain CRF expenditures in the year after those expenditures are already reported on the SEFA
 - Subrecipient determination is made more complex by incremental CRF guidance

SEFA

- ❑ Separate Identification of COVID-19 Awards
 - Appendix VII of the 2020 Compliance Supplement
 - Entities should separately identify COVID-19 expenditures on the SEFA and DCF
 - This includes the new COVID-19 only programs
 - May be accomplished by:
 - SEFA: separate line by assistance listing number with “COVID-19” as a prefix
 - DCF: separate row by assistance listing number with “COVID-19” included in the Additional Award information field

SEFA

□ SEFA Example

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
Department of Treasury Programs				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	150,000	300,000
Department of Health and Human Services Programs				
Temporary Assistance for Needy Families	93.558	N/A	-	3,000,000
COVID-19 - Temporary Assistance for Needy Families	93.558	N/A	-	1,000,000
Total - Temporary Assistance for Needy Families			-	4,000,000

DCF Presentation Example:

Row Number (auto-generated)	CFDA #		Additional Award Identification ³	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total ⁴ (auto-generated)	Cluster Total ⁵ (auto-generated)
	Federal Awarding Agency Prefix ¹	CFDA Three-Digit Extension ²						
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			

GAQC Nonauthoritative Guidance on the Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA

SEFA

- GAQC Nonauthoritative Guidance on the Reporting of Certain COVID-19 Awards
 - It has been prepared by the AICPA Governmental Audit Quality Center (GAQC) to assist auditees and auditors as they consider the complexities involved with funding provided under the CARES Act and the timing of when that funding should be included on the SEFA for single audit purposes.
 - While this focuses on CARES Act funding, its guidance may also be considered for Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) and the American Rescue Plan Act (ARPA).

SEFA

- GAQC Nonauthoritative Guidance on the Reporting of Certain COVID-19 Awards
 - In many cases, the funding was provided to nonfederal entities in a very short timeframe after the passage of the CARES Act, sometimes before official awards or terms and conditions were established between federal agencies (or pass-through entities) and recipients (or subrecipients).
 - Many of the new programs provide for a period of performance and allow for application of costs (or lost revenue, as applicable) incurred in periods both before and after the award existed and often spanning more than one fiscal year of the nonfederal entity.

SEFA

- GAQC Nonauthoritative Guidance on the Reporting of Certain COVID-19 Awards
 - The nonauthoritative guidance does not apply to single audits of PRF funding because the HHS has directly addressed the timing of SEFA reporting of PRF expenditures and lost revenue by nonfederal entities in the 2021 Compliance Supplement

SEFA

- Assumptions Used/Other Guidance Relevant
 1. The determination of the reporting of expenditures (or lost revenue, as applicable) on the **SEFA is independent of the determination of revenue recognition under generally accepted accounting principles.**
 2. The scenarios and answers provided assume the SEFA is presented on the accrual basis of accounting.

SEFA

- Assumptions Used/Other Guidance Relevant
 - 3. For expenditures to be reported on the SEFA in a particular period, there should be an award
 - Professional judgment may be needed to determine an exact award date
 - Procedures auditors may consider for determining the appropriateness of the “award date” used by the auditee include:
 - (1) inquiries of management regarding the facts and circumstances surrounding award arrangements; and
 - (2) reviewing client supporting records such as Board minutes, e-mail correspondence, or instructions provided to a subrecipient from a pass-through entity for claiming expenditures

SEFA

- Assumptions Used/Other Guidance Relevant
 4. Assuming an award is determined to exist as of fiscal year-end, costs incurred that a nonfederal entity applies to an award should be reported on the SEFA in the year costs were incurred.
 5. Generally, the timing of cash receipts (whether advances or reimbursements) should have no impact on SEFA recognition.

SEFA

- Scenario 1: Costs Incurred are Applied to an Award as They are Incurred – Accrual Basis SEFA

Mar-20	Apr-20	Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$1 M	\$1 M	\$100K	\$200K	\$400K			\$300K	
Awarded	Advanced	Costs incurred Costs applied to award	Costs incurred Costs applied to award	Costs incurred Costs applied to award			Costs incurred Costs applied to award	Release F/S and Single Audit

SEFA at 6/30/20 FYE?

SEFA

Scenario 1: Costs Incurred are Applied to an Award as They are Incurred – Accrual Basis

Mar-20	Apr-20	Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$1 M	\$1 M	\$100K	\$200K	\$400K			\$300K	
Awarded	Advanced	Costs incurred	Costs incurred	Costs incurred			Costs incurred	Release F/S and Single Audit
		Costs applied to award	Costs applied to award	Costs applied to award			Costs applied to award	

- Answer - \$700,000
- What impact, if any, would this scenario have on a subrecipient’s SEFA if the \$1M awarded was in the form of a subaward from a pass-through entity?
 - None
- What impact, if any, would there be if this scenario was altered so that the month that the federal funds were advanced to the nonfederal entity changed from Apr-20 (fiscal year 2020) to Jul-20 (fiscal year 2021)?
 - None

SEFA

- Scenario 2: Decision to Apply Costs to an Award Occurs in a Different Fiscal Year than When Costs Incurred – Accrual Basis SEFA

Mar-20	Apr-20	Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$1 M	\$1 M	\$100K	\$200K	\$400K			\$300K	
Awarded	Advanced	Costs incurred	Costs incurred	Costs incurred		Costs applied to award from Apr-20, May-20 & Jun-20	Costs incurred	Release F/S and Single Audit

- Question: What expenditures should be reported on the SEFA at 6/30/20 FYE?

SEFA

Scenario 2: Decision to Apply Costs to an Award Occurs in a Different Fiscal Year than When Costs Incurred – Accrual Basis SEFA

Mar-20	Apr-20	Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$1 M	\$1 M	\$100K	\$200K	\$400K			\$300K	
Awarded	Advanced	Costs incurred	Costs incurred	Costs incurred		Costs applied to award from Apr-20, May-20 & Jun-20	Costs incurred	Release F/S and Single Audit

- Answer - \$700,000
- What impact, if any, would this scenario have on a subrecipient’s SEFA if the \$1M awarded was in the form of a subaward from a pass-through entity?
 - None

SEFA

- Scenario 3: Award is Made in the Subsequent Fiscal Year from When Costs Incurred but the Award Allows Costs Incurred from the Previous Fiscal Year to be Charged to the Award – Accrual Basis SEFA

Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$100K	\$200K	\$400K		\$1M	\$300K	
Costs incurred	Costs incurred	Costs incurred		Awarded Costs applied to award from Apr-20, May-20 and Jun-20	Costs incurred	Release F/S and Single Audit

- Question: What expenditures should be reported on the SEFA at 6/30/20?

SEFA

- Scenario 3: Award is Made in the Subsequent Fiscal Year from When Costs Incurred but the Award Allows Costs Incurred from the Previous Fiscal Year to be Charged to the Award – Accrual Basis SEFA

Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$100K	\$200K	\$400K		\$1M	\$300K	
Costs incurred	Costs incurred	Costs incurred		Awarded Costs applied to award from Apr-20, May-20 and Jun-20	Costs incurred	Release F/S and Single Audit

- Answer: \$0 – no award until July 2020

SEFA

- Scenario 3A: Award is Made in the Subsequent Fiscal Year from When Costs Incurred but the Award Allows Costs Incurred from the Previous Fiscal Year to be Charged to the Award – Accrual Basis SEFA

Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$100K	\$200K	\$400K		\$1M	\$300K	
Costs incurred	Costs incurred	Costs incurred		Awarded Costs applied to award from Apr-20, May-20 and Jun-20	Costs incurred	Release F/S and Single Audit

- Question: What expenditures should be reported on the SEFA at 6/30/21?

SEFA

- Scenario 3A: Award is Made in the Subsequent Fiscal Year from When Costs Incurred but the Award Allows Costs Incurred from the Previous Fiscal Year to be Charged to the Award – Accrual Basis SEFA

Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$100K	\$200K	\$400K		\$1M	\$300K	
Costs incurred	Costs incurred	Costs incurred		Awarded	Costs incurred	Release F/S and Single Audit
				Costs applied to award from Apr-20, May-20 and Jun-20		

- Answer: \$1,000,000 – Sum of costs incurred April 2020 through August 2020

In-relation-to Reporting

- AICPA TQA Section 9160.36
 - Specific to Provider Relief Fund
 - Can provide the in-relation-to opinion when:
 - The other conditions of AU-C section 725 are met: and
 - The schedule can be reconciled back to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves

Another SEFA Timing Question

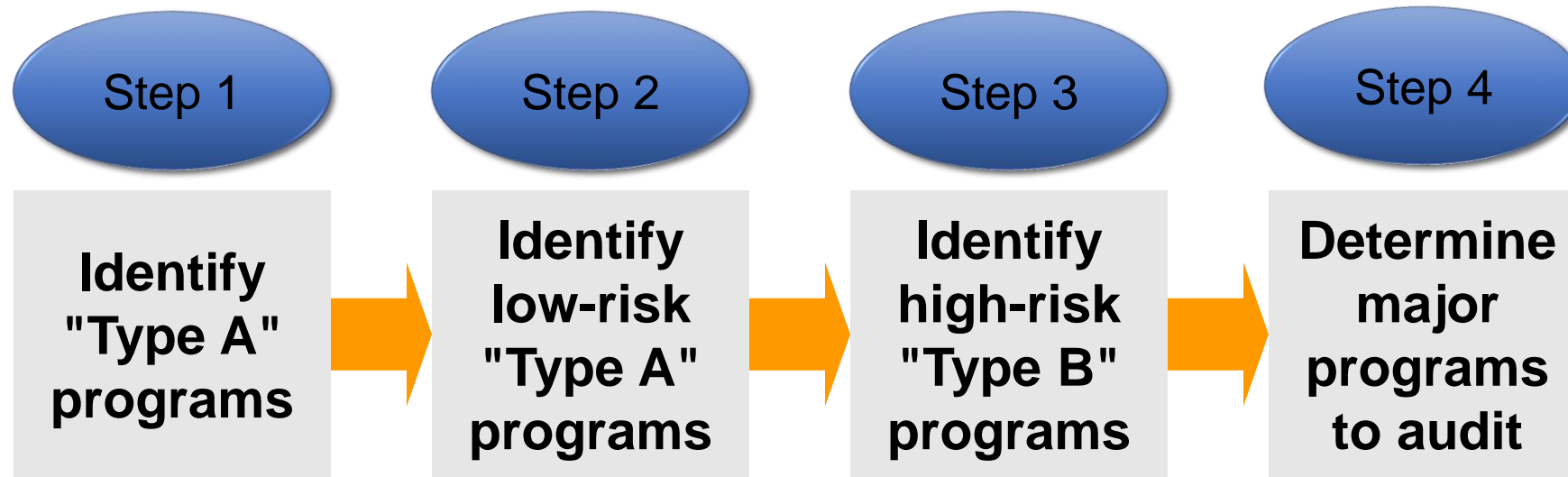
- ❑ My client got a HEERF II award during the fiscal year ended June 30, 2021, but they would prefer to decide later whether/when to charge costs/lost revenue to the grant. If their single audit is complete and they decide to change approach later in 2021, will the 2021 SEFA need to be restated or can they just include the HEERF II amounts on the June 30, 2022, SEFA?
- ❑ The decision needs to be made before the June 30, 2021 SEFA is finalized and released. If the decision is later, than this would be considered an error and the 2021 SEFA would need to be restated (if material)
- ❑ It would not be appropriate to have the year 2022 SEFA include such amounts

Major Program Determination

The Starting Place for MPD

- ❑ You must have an accurate SEFA for MPD
 - Is the SEFA complete?
 - Reevaluate if:
 - You used a preliminary SEFA
 - You had AJEs to the SEFA

Major Program Determination and Risk Assessment



Four Step Approach

Auditor can get into trouble when they try to use common sense

Step 1: Identify Type A Programs

■ Identify federal programs

- All federal awards to a non-federal entity assigned the same Assistance Listing (AL) number
- If no AL number, all federal awards from the same federal agency made for the same purpose
- Clusters

Step 1: Identify Type A Programs

Total Federal awards expended	Type A/B Threshold
$\geq \\$750,000$ and $\leq \\$25$ million	\$750,000
$> \\$25$ million but $\leq \\$100$ million	Total Federal awards expended times .03
$> \\$100$ million but $\leq \\$1$ billion	\$3 million
$> \\$1$ billion but $\leq \\$10$ billion	Total Federal awards expended times .003
$> \\$10$ billion but $\leq \\$20$ billion	\$30 million
$> \\$20$ billion	Total Federal awards expended times .0015

Step 1: Identify Type A Programs

We are not going to talk today
about the effect of large loans

Step 2: Identify Low-Risk Type A Programs

■ Criteria for low-risk Type A program

- Must have been audited as a major program in at least one of the two most recent audit periods; and
- In the most recent audit period, the program must not have had a
 - Modified opinion
 - Material weakness in internal control over compliance
 - Known or likely questioned costs exceeding 5% of total program expenditures

Step 2: Identify Low-Risk Type A Programs

- **In making the low-risk Type A determination, the auditor must also consider whether any of the following indicate significantly increased risk and would, therefore, preclude the program from being low risk:**
 - Federal and pass-through entity (PTE) oversight
 - Results of audit follow-up
 - Changes in personnel or systems
- **No auditor judgment allowed in the Type A determination**
- **A federal awarding agency may request that a Type A program not be considered low risk for a certain recipient**

APPENDIX IV INTERNAL REFERENCE TABLES

The following is a complete list of COVID-19 programs arising from the above laws, other than ARP, that have been identified as “higher risk.” The table also includes the Medicaid cluster, which has been and continues to be “higher risk.”

Agency	Assistance Listing (CFDA) Number	Title
HHS	93.778/93.777/93.775	Medicaid Cluster
HHS	93.498	Provider Relief Fund
HHS	93.461	Testing for the Uninsured
Transportation	20.106	Airport Improvement Program
Transportation	20.500/20.507/20.525/20.526	Federal Transit Cluster
Treasury	21.019	Coronavirus Relief Fund
Treasury	21.023	Emergency Rental Assistance*
Education	84.425	Education Stabilization Fund

*This program, established by CRRSAA, will not be included in the 2021 Compliance Supplement. See Appendix VII for more information about the planned timing of subsequent follow-up Supplement issuance(s).

Impact of Higher Risk Status- Appendix IV

Impact of “Higher Risk” Status on Major Program Determination

New ARP Type A Program Considerations

Under section 200.518(c) of the Uniform Guidance, for a Type A program to be considered low risk, it must have been audited as a major program in at least one of the two most recent audit periods. Because ARP was passed in March 2021, in most cases, new APR programs will not have been audited in one of the two most recent audit periods for audits subject to the 2021 Compliance Supplement. Therefore, generally, new ARP Type A programs must be audited as a major program.

Impact of Higher Risk Status—Appendix IV

Non-ARP Type A Program Considerations

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” non-ARP Type A program or other cluster qualifies as a low risk Type A program if both of the following criteria are met:

- (1) the program otherwise meets the criteria for a low risk Type A program in section 200.518 of the Uniform Guidance; and
- (2) The percentage of COVID-19 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



Step 3: Identify High-Risk Type B Programs

■ If there are low-risk Type A programs

- Perform risk assessments on Type B program until high-risk Type B programs have been identified up to at least 1/4 of the number of low-risk A programs

■ The auditor is not expected to perform risk assessments on relatively small federal programs

- Auditor **only required to perform risk assessments** on Type B programs that exceed twenty-five percent (0.25) of the Type A threshold determined in Step 1
- For example, if Type A threshold is \$750,000, auditor would not have to perform risk assessments on Type B programs of \$187,500 or less

Impact of Higher Risk Status -Appendix IV

Type B Program Considerations for new ARP and non-ARP Programs and Other Clusters

Under section 200.518 of the Uniform Guidance, in certain circumstances the auditor must identify Type B programs which are high risk using professional judgment and the criteria in section 200.519 of the Uniform Guidance, which includes consideration of whether a program has been identified as “higher risk.” Thus, there are no changes to the normal risk assessment process for “higher risk” Type B programs. That is, the “higher risk” identification must be considered with the other factors in section 200.519.

Further, the auditor is not required to prioritize the assessment of risk for “higher risk” Type B programs over other Type B programs. ★

Possible High Risk B

- ❑ Document, Document, Document
 - In the checklist, this is high risk by Federal Agency Designation, New program at Federal Level, New Program at Agency level
 - If you believe it is not high risk put some verbiage around why the low risk questions outweigh the high risk questions

Staff risk assessed all Type B programs so team needs to audit ALL high risk Type B programs (one extra than needed)

Entity had 9 low risk A programs: Need to access until they reach ¼ of low risk A: 9/4 is 3

Type B Program		HIGH RISK	LOW RISK	NOT ASSESSED
Program 1			X	
Program 2		X		
Program 3			X	
Program 4			X	
Program 5		X		
Program 6		X		
Program 7		X		

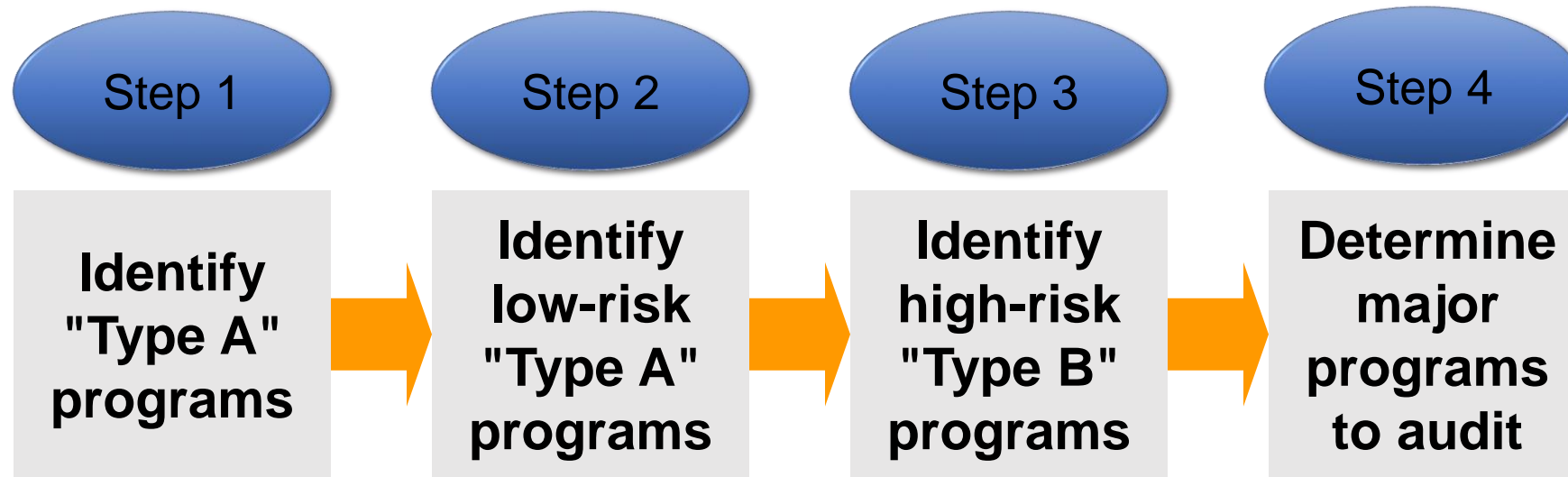
Step 4: Determine Major Programs to Audit

- All Type A programs except those identified as low-risk in Step 2 (i.e. “other than low-risk” Type A programs)
- Type B programs identified as high-risk in Step 3
- Such additional programs necessary to comply with percentage of coverage rule
 - 40.0% or 20.0% if low-risk auditee

Step 4: Determine Major Programs to Audit

- **Determination occurs at the end of all previous steps**
 - NONE of the steps in the major program determination process may be bypassed just because minimum coverage is achieved

Major Program Determination and Risk Assessment



Four Step Approach

Auditor can get into trouble when they try to use common sense

Program Determination & Risk Assessment –Tips

- **If determine MPs during interim phase of audit, recalculate at the end**
 - Check that total expenditures and Type A/B federal program totals haven't changed due to adjusting entries
- **Determine percentage of coverage at the end of the 4-step process**
 - Do not assume that if auditee is considered low risk that 20.0% coverage is sufficient
- **Recheck that all necessary Type A and Type B risk assessments were done**

Auditing Compliance and Internal Control

Lost Revenue

- How do you audit lost revenue?
 - This is not units but is a calculation

Periods Going Back to April of 2020

- ❑ You have to audit compliance and internal control of the expenditures in total.
 - That means pulling invoice back to April of 2020 to ensure allowable cost
 - Internal control is possibly different

Consideration of Sub Programs

- ❑ ESF is an example, there are others
- ❑ Remember there is only one opinion on major program
- ❑ Internal control and compliance considerations
- ❑ Expenditures need to be broken out in accounting records to test the different compliance requirements

CRF (CS) and CSLFRF (appendix 1)

- ❑ Audit requirements do not apply to beneficiaries (CS)
- ❑ Non-entitlement units of local governments are considered by Treasury to be direct recipients of CSLFRF and not subs of the State (appendix 1)
- ❑ Nonprofits can be subrecipients or beneficiaries
 - When recipients of the Fund provide award fund to entities to respond to the negative economic impacts of COVID-19 as end users, the entities are beneficiaries of the Fund and not subject to audit requirements
 - When recipients of the Fund provide award funds to carry out a program on behalf of the Fund recipient, the entities are subrecipients. (appendix 1)

Testing Internal Control

- ❑ What was the Internal Control?
- ❑ For programs that let you go back to April 2020 for costs, there was an action taken much later in time

Additional Notes

Sam.gov

- ❑ Sam.gov is now where you go to find important program information
- ❑ Replaces cfda.gov
- ❑ Includes:
 - Assistance Listings (previously CFDA numbers)
 - Entity registration
 - Exclusions (suspensions and debarments)

PRF and For-Profit Entity Audits

- ❑ HHS is requiring for-profit recipients of PRF with \$750,000 or more to get either a single audit or GAGAS financial audit
 - June 11, 2021 FAQ
 - First date for reporting will be for June 30, 2021 year-ends
 - Expect HHS to develop audit guidance that includes example schedules and auditor reporting

WAIT FOR GUIDANCE

SFA

- ❑ Auditors will be directed to Excel spreadsheet on the ED web site
- ❑ Updates in compliance categories
 - Earmarking
 - Special Tests and Provisions
 - Various
 - New: Perkins Loan Recordkeeping and Record Retention
 - New: Clock to Credit Hour Conversion

Important Reminder – Part 7

- Use Part 7 to help identify compliance requirements and to develop your audit approach/program
 - What are the program objectives, program procedures, and compliance requirements for a specific program?
 - Which of the compliance requirements could have a direct and material effect on the program?
 - Which of the compliance requirements are susceptible to testing by the auditor?
 - Into which of the 12 types of compliance requirements does each compliance requirement fall?
 - For Special Tests and Provisions, what are the applicable audit objectives and audit procedures?

Remember the 6-area mandate does not apply to Part 7

Reports Change for SASs 134-140

- ❑ Very few changes to the Yellow Book reports
- ❑ Uniform Guidance report illustrations are available
 - Opinion on compliance comes first
 - Expanded Auditor's responsibilities
 - Other Matters
 - Internal Control

Audit Documentation

Not documented – not done

Oral explanation can not substitute for written documentation

If you think it – INK IT



Auditor Tips

- ❑ Understand your client's federal funds early in, including COVID-19 funding
- ❑ Focus on the SEFA to ensure accuracy and completeness
- ❑ Don't miss a major program; follow the rules
- ❑ Document direct and material compliance areas
- ❑ Read Part 3 and Part 4 of the Compliance Supplement
- ❑ Focus on audit quality

Auditee Tips

- ❑ Know when you need a single audit
- ❑ Understand your federal funding and amounts expended and/or lost revenue, including any new COVID-19 federal funding
- ❑ Understand the relevant compliance requirements
- ❑ Establish and maintain effective internal control
- ❑ Take prompt action when noncompliance is identified

Don't use links in your policies or workpapers



Download and file a pdf

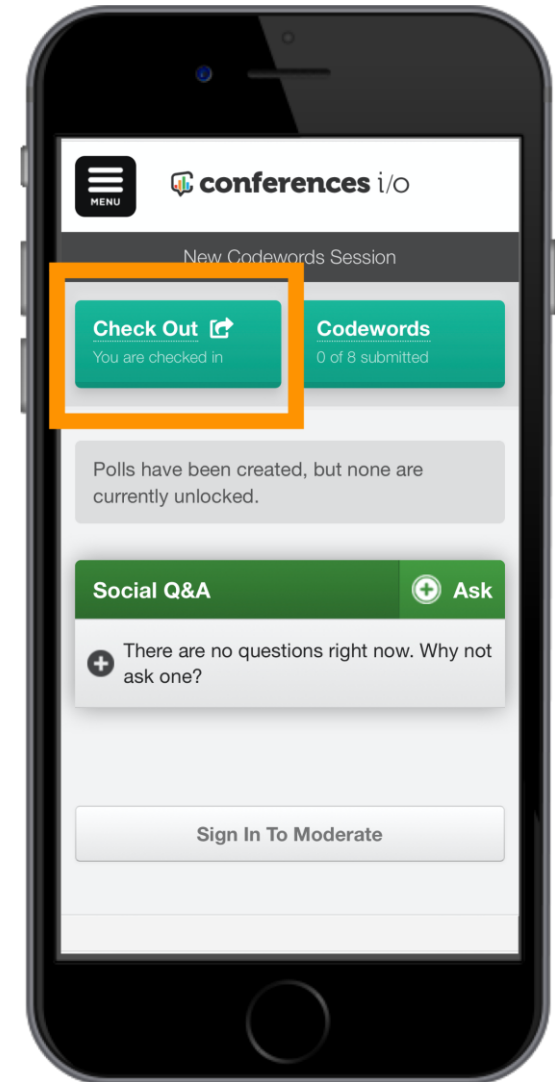
- Links have been constantly changing and updating

Other AICPA Resources

- ❑ A&A Technical Hotline (877) 242-7212
 - techinquiry@aicpa.org

- ❑ Ethics Hotline (888) 777-7077
 - ethics@aicpa.org

Don't Forget To
Check-Out Before
You Leave!



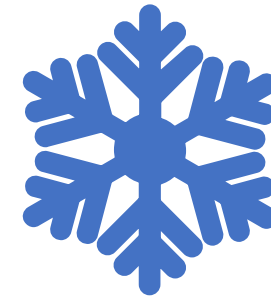
Questions?



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THANK-YOU



Happy Holidays