

Single Audit of Your Federal Fiscal Recovery Fund Expenditures

Georgia Municipal Association

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Single Audit Basics

- Federal Audit Policy

- The Inspector General Act of 1978 (as amended)

- Requires federal auditors to rely on non-federal audits to the maximum extent possible

- Recognizes that many federal fund recipients face an independent audit requirement not related to federal funding

- The Single Audit Act of 1984 (as amended)

- Imposes a requirement on grant recipients and subrecipients to arrange for an independent audit if they expend a threshold amount of federal funds during their own fiscal year

- Designates the Office of Management and Budget (OMB) to issue policies, procedures, and guidelines to implement the Act

OMB Implementation

- OMB Circulars and Guidance
 - OMB Circular A-128 (1985)
 - OMB Circular A-133 (1998)
 - 2 CFR 200, Subpart F (2014)
- Guidance for Auditors
 - *Compliance Supplement*
 - Annual issuance by OMB
 - Cross referenced at 2 CFR 200, Appendix XI

Single Audit Objectives

- Financial Accuracy
 - Financial Statements
 - Schedule of Expenditures of Federal Awards (SEFA)
- Internal Controls
 - Entity-wide
 - Over Federal Awards
- Compliance
 - Entity-wide
 - Over Federal Awards

Applicable Audit Standards

- Generally Accepted Government Auditing Standards
 - GAGAS
 - The “Yellow Book”
 - Issued by the U.S. Government Accountability Office (GAO)
- Generally Accepted Auditing Standards
 - GAAS
 - Issued by the Auditing Standards Board (ASB) of The American Institute of Certified Public Accountants (AICPA)

Procurement of Audit Services

- 2 CFR 200.509
- 2 CFR 200.318-327

- Request for Proposals (RFP)
- Selection Criteria
 - Responsiveness to the RFP
 - Relevant Experience
 - Availability of Qualified Staff
 - Results of Peer and Quality Control Reviews
 - Price

- Auditee must request and audit organization must provide a copy of the audit organization's peer review report

The Expenditure Threshold

- Congressionally established:
 - \$25,000 (1984)
 - \$300,000 (1996)
- OMB determined:
 - \$500,000 (2004)
 - \$750,000 (2015)

Example #1

11.307 Direct EDA, DOC	\$256,920
66.818 Direct EPA	317,049
14.219 Pass-through CDBG	406,311
Subtotal	\$980,280
21.027 SLFRF	316,505
Total	\$1,296,785

Audit Scope

- Full single audit
- Conducted in accordance with GAGAS
- Compliance testing (per: *Compliance Supplement*)
 - Activities allowed or unallowed
 - Allowable costs/cost principles
 - Period of performance
 - Reporting
 - Procurement and suspension and debarment
 - Subrecipient monitoring

Activities Allowed

- From ARPA Statute (PL 117-2) and SLFRF Regulations (31 CFR 35)
 - Support public health expenditures
 - Address negative economic impacts caused by the public health emergency
 - Replace lost public sector revenue
 - Provide premium pay for essential workers
 - Invest in water, sewer, and broadband infrastructure

Allowable Cost/Cost Principles

- Nature of the types of expenses supporting the allowable/eligible activities (examples: salaries and wages, fringe benefits, purchases of equipment and supplies)
- Applicable regulation: 2 CFR 200, Subpart E
 - General tests of allowability (2 CFR 200.403)
 - Selected items of cost (2 CFR 200.420-476)
 - “Failure to mention...” (2 CFR 200.420)

Period of Performance

- No obligation prior to March 3, 2021
- No obligation after December 31, 2024
- Disbursement not later than December 31, 2026

Procurement and Suspension and Debarment

- Purchase transactions conducted in accordance with federal standards at 2 CFR 200.318-327
- Prior to entering into contracts (and subawards), recipients verify that such parties are not suspended, debarred, or otherwise excluded under 31 CFR 91.300 at www.SAM.gov)

Grant Reporting

- Customary Financial Reporting under 2 CFR 200: N/A
- Customary Performance Reporting under 2 CFR 200: Replaced by Special Reporting using the “Project and Expenditure Report”
- Testing of accuracy and submission

Subrecipient Monitoring

- Requirements: 2 CFR 200.331-333
- Determination of relationship
- Formulation of subaward agreement
- Conduct of risk assessment
- Conduct of mandatory monitoring steps

Audit Reporting

- Full scope audit reporting package
 - Form SF-SAC
 - Financial statements
 - Schedule of expenditures of federal awards
 - Auditors opinions and reports
 - Summary schedule of prior audit findings
 - Corrective action plan
- Submission to Federal Audit Clearinghouse
 - Due within 9 months of FY end or within 30 days of receipt

Example #2

11.307 Direct EDA (DOC)	\$372,519
14.219 Pass-through (CDBG)	364,338
Subtotal	\$737,857
21.027 SLFRF	212,000
Total	\$949,857

Alternative Compliance Examination Engagement

- Reduced scope
- Conducted in accordance with AICPA Statements on Standards for Attestation Engagements
- Compliance testing (per *Compliance Supplement*)
 - Activities allowed or unallowed
 - Allowable costs/cost principles
- Testing aligns with that performed under standard single audit (See slides 10 and 11)

Engagement Reporting

- Alternative Compliance Examination Engagement
 - Practitioner's Examination Report prepared in accordance with AT-C 315 and GAGAS
 - Schedule of Findings and Responses required to be reported by GAGAS and containing elements required by GAGAS
- Submission requirements are the same as for full scope audits

Dealing with Findings

- Internal control
 - Deficiency
 - Significant deficiency
 - Material weakness
- Compliance
 - Procedural
 - Substantive

Elements of a Finding

- Program identification
- Criteria (e.g., law, regulation, award term)
- Condition found
- Cause
- Effect
- Questioned costs (if any)
- Perspective
- Repeat finding (?)
- Recommendation(s)
- Views of management

Audit Resolution

- Management decision by awarding agency
 - Finding sustained or not
 - In whole or in part
 - Rationale for decision
 - Expected auditee action
- Cost disallowance
 - Recoupment of funds