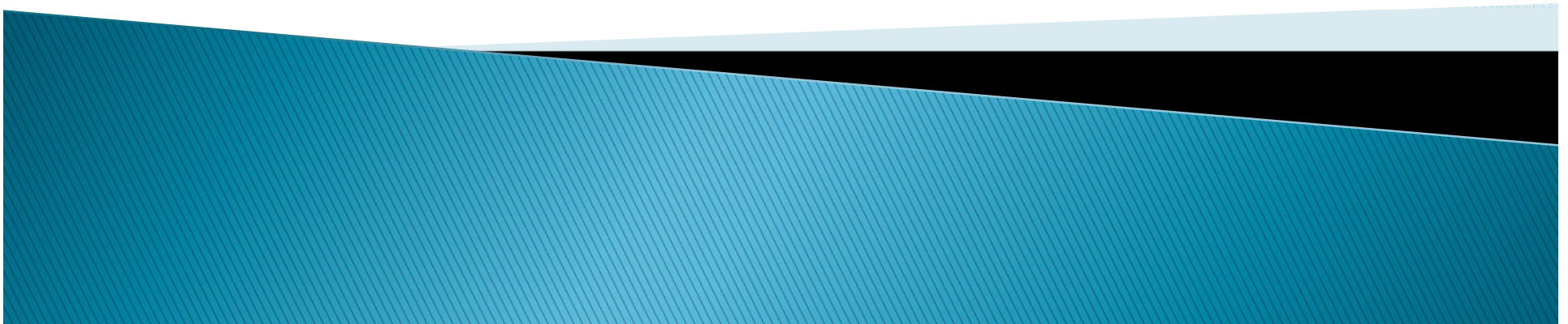


# Single Audit (SA)

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# Background History



e SA ACT

- Numerous Federal Agency Audit

A ACT  
1984

- Improve financial management State and local governments
- Provide **Uniform requirements of audits**
- Enable proper use of audit resources
- Compel Federal departments and agencies to rely upon and use audit work
- In 1985, OMB issued OMB Circular A-128
- In 1990, OMB issued OMB Circular A-133

# Background History

- **Streamline and improve the effectiveness**
- .....including effective internal controls over awards administered by non Federal entities
- **Provide Uniform requirements of audits of Federal awards administered by non Federal entities**
- Reduce burdens on State and local governments,.... and
- In 1997, OMB revised A-133 and rescind OMB Circular A-128.
- In 2003, OMB amended OMB Circular A-133 (\$500,000)
- In 2013 OMB issued: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Chapter I, and Chapter II, Parts 200, 215, 220, 225, and 230) [Uniform Guidance]
  - Beginning on or after December 26, 2014.

## Uniform Guidance Administrative

### Subpart A—Acronyms and Definitions

- Eg: § 200.2 Acquisition cost.
- Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, .....Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). .....

### Subpart B—General Provisions

### Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards

## Uniform Guidance Administrative

# Subpart D—Post Federal Award Requirements

- Standards for Financial and Program Management
  - Statutory and national policy requirements.
  - Performance measurement.
  - Financial management.
  - Internal controls.
  - Payment. (Cash management)
  - Cost sharing or matching.
  - Program income.

## Uniform Guidance Administrative

### **Subpart D—Post Federal Award Requirements**

- Property Standard
- Procurement Standards
- Performance and Financial Monitoring and Reporting
- Subrecipient Monitoring and Management
  - Subrecipient and contractor determinations.
  - Requirements for pass-through entities.
  - Fixed amount subawards.

## Uniform Guidance Administrative

### **Subpart D—Post Federal Award Requirements**

- Record Retention and Access
  - 3 years
- Remedies for Noncompliance
- Closeout
- Post-Closeout Adjustments and Continuing Responsibilities

## Uniform Guidance Cost

### Subpart E—Cost Principles

- General Provisions
  - Policy guide.
    - Is based on the fundamental premises that the non-Federal entity:
      - *Assumes total* responsibility
      - Must have an internal accounting policies consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.
    - The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance.



## Uniform Guidance Cost

### Subpart E—Cost Principles

- Application.
  - These principles must be used in determining the allowable costs of work performed by the non-Federal entity under Federal awards.
  
- Basic Considerations
  - Composition of costs.
    - The total cost = direct + allocable indirect costs – applicable credits
  - Factors affecting allowability of costs.
    - Be necessary and reasonable
    - Conform to any limitations or exclusions set forth in these principles
    - Be consistent with policies and procedures; apply uniformly
    - Be accorded consistent treatment.
    - Be determined in accordance with GAAP, except, for state and local governments and Indian tribes only.
    - Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program.
    - Be adequately documented.

## Uniform Guidance Cost

### Subpart E—Cost Principles

- Allocable costs.
- Applicable credits.
- Prior written approval (prior approval).
- Limitation on allowance of costs.
- Special considerations.
- Collection of unallowable costs.

## Uniform Guidance Cost

### Subpart E—Cost Principles

- Direct and Indirect (F&A) Costs
  - Classification of costs.
  - Direct costs.
  - Indirect (F&A) costs.
  - Required certifications.
- Special Considerations for States, Local Governments and Indian Tribes
  - Cost allocation plans and indirect cost proposals.
  - Interagency service.
- General Provisions for Selected Items of Cost

## Uniform Guidance Audit

### Subpart F—Audit Requirements

- General Purpose.
  - Consistency and uniformity
- Audits
  - Audit requirements.
    - A SA or program-specific audit conducted for that year in accordance with the provisions of this Part.
    - Threshold of expenditures \$750,000/ annual expenditure
      - Program-specific audit election:
        - Auditee expends Federal awards under only one Federal program
        - Award do not require a financial statement audit of the auditee
        - Advanced approval is obtained fro the federal agency or pass through entity in the case of a subrecipient
  - Subrecipients and Contractors
  - For-profit subrecipient

## Uniform Guidance Audit

### Subpart F—Audit Requirements

- Audits
  - Basis for determining Federal awards expended.
  - Relation to other audit requirements.
  - Frequency of audits.
  - Sanctions.
  - Audit costs.
  - Program-specific audits.

## Uniform Guidance Audit

# Subpart F—Audit Requirements

- Auditees
    - Auditee responsibilities.
      - The auditee must:
        - (a) Procure or otherwise arrange for the audit
          - Follow the procurement standards
          - The objective is to obtain high-quality audits
          - The objectives and scope of the audit must be made clear
          - Must request a copy of the audit organization's peer review report
          - Factors to be considered in evaluating each proposal:
            - Responsiveness; relevant experience; results of peer and external quality control reviews, & price
    - Make positive efforts to utilize small businesses, and M&W
- Restriction on auditor preparing indirect cost proposals

## Uniform Guidance Audit

### Subpart F—Audit Requirements

#### ◦ Auditees

- Auditee responsibilities.

- The auditee must:

- (b) Prepare appropriate financial statements & SEFA for the fiscal year.

- The financial statement must reflect the financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.
- The SEFA as determined in accordance with “Basis for determining Federal awards expended”
  - At a minimum, the schedule must include:
    - Federal programs by Federal agency.
    - Cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name; and total for the cluster
    - For Federal awards received as a subrecipient, the name of the passthrough entity and identifying number assigned by the pass-through entity must be included.
    - Federal awards expended for each individual Federal program and the CFDA
    - Total amount provided to subrecipients from each Federal program.
    - Notes that describe that significant accounting policies used in preparing the schedule.

## Uniform Guidance Audit

### Subpart F—Audit Requirements Auditees

- Auditee responsibilities.
  - The auditee must:
    - (c) Take corrective action on audit findings & prepare schedule for current & prior findings. This includes findings relating to the financial statements which are required to be reported in accordance with GAGAS.
  - Address each finding included in the current year (agree/disagree)
  - Prior year:
    - Fully corrected
    - Not corrected or were only partially corrected
    - Corrective action taken is significantly different from previously reported
    - Audit findings are no longer valid or do not warrant further action
      - A valid reason– all of the following have occurred:
        - (i) Two years have passed since submitted to the FAC;
        - (ii) The Federal agency or passthrough entity is not currently following up
        - (iii) A management decision was not issued.



## Uniform Guidance Audit

# Subpart F—Audit Requirements

- Auditees
  - Auditee responsibilities
    - The auditee must:
      - (d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and *other information as needed* for the auditor to perform the audit.

## Uniform Guidance Audit

# Subpart F—Audit Requirements

- Auditees
  - Report submission.
    - The reporting package:
      - (1) Financial statements and SEFA
      - (2) Summary schedule of prior audit findings
      - (3) Auditor’s report(s)
      - (4) Corrective action plan
      - (5) Required data elements in **Data Collection form**
      - (6) If requested management letters issued.

## Uniform Guidance Audit

### Subpart F—Audit Requirements

#### ◦ Federal Agencies

- A non-Federal entity expending more than \$50 million a year in Federal awards must have a cognizant agency for audit.
- The designated cognizant agency for audit must be the agency that provides the **predominant amount of direct funding awards** expended in the non-Federal entity's fiscal years ending in 2009, 2014, 2019 and every fifth year thereafter, unless OMB designates a specific cognizant agency for audit.

## Uniform Guidance Audit

# Subpart F—Audit Requirements

### ◦ Auditors

- **Scope of audit.**
  - GAGAS
  - Entire operations
  - The financial statements and SEFA must be for the same audit period.
  - The auditor must determine whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles.
  - The auditor must also determine whether the SEFA is stated fairly in all material respects in relation to the auditee's financial statements as a whole.

## Uniform Guidance Audit

### Subpart F—Audit Requirements

#### ◦ Auditors

- **Scope of audit.**
  - **Internal control:**
    - **Obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.**
    - **Plan the testing of internal control over compliance for requirements for each major program**
    - **If control over some or all of the compliance requirements for a major program are likely to be ineffective, the planning and performing of testing are not required. The auditor must report a significant deficiency or material weakness; assess the related control risk at the maximum, and consider whether additional compliance tests are required.**

## Uniform Guidance Audit

### Subpart F—Audit Requirements

#### ◦ Auditors

- **Scope of audit.**

- **Compliance.**

- The auditor must determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs.
    - For the compliance requirements related to Federal programs contained in the **compliance supplement**, an audit of these compliance requirements will meet the requirements of this Part.
    - Where there have been changes to the compliance requirements and the changes are not reflected in the compliance supplement, the auditor must determine the current compliance requirements and modify the audit procedures accordingly.
    - Federal programs not covered in the compliance supplement, the auditor should follow the compliance supplement's guidance for programs not included in the supplement.

## Uniform Guidance Audit

### Subpart F—Audit Requirements

#### ◦ Auditors

- Scope of audit.
  - Compliance
    - The compliance testing must include tests of transactions
  - Audit follow-up.
    - The auditor must follow-up on prior audit findings, perform procedures to assess the
    - Reasonableness of the summary schedule of prior audit findings.
    - Report, as a current year audit finding, if the auditor concludes the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.

## Uniform Guidance Audit

# Subpart F—Audit Requirements

- Auditors
  - Scope of audit.
    - Data Collection Form.
      - The auditor must complete and sign specified sections of the data collection



## Uniform Guidance Audit

### Subpart F—Audit Requirements

- Auditors
  - Audit reporting
    - Form– combined or separate reports and may be organized differently.
    - State– that the audit was conducted in accordance with this Part
    - Include:–
      - (a) An opinion (or disclaimer of opinion) on the financial statements (GAAP), and similarly on the SEFA in relation to financial statements as a whole.
      - (b) A report on internal control over financial reporting and compliance.
      - (c) A report on compliance for each major program and report and internal control over compliance.

## Uniform Guidance Audit

# Subpart F—Audit Requirements

- Auditors
  - Audit reporting
    - Include:–
      - (d) A schedule of findings and questioned costs which must include the following three components:
        - (1) A summary of the auditor's results
        - (2) Findings relating to the financial statements which are required to be reported in accordance with GAGAS
        - (3) Findings and questioned costs for Federal awards

## Uniform Guidance Audit

# Subpart F—Audit Requirements

- Auditors
  - Audit reporting
    - (1) A summary of the auditor's results, which must include:
      - The type of report the auditor issued on compliance for major programs (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)
      - A statement as to whether the audit disclosed any audit findings that the auditor is required to report
      - An identification of major programs by listing
      - The dollar threshold used to distinguish between Type A and Type B programs
      - A statement as to whether the auditee qualified as a low-risk auditee

## Uniform Guidance Audit

### Subpart F—Audit Requirements

- Auditors
  - Audit findings.
  - Audit documentation
  - Major program determination
  - Criteria for Federal program risk
  - Criteria for a low-risk auditee.

## Uniform Guidance Audit

### **Subpart F—Audit Requirements**

- Auditors
  - Management Decisions



# Internal Controls

- ▶ Grant life cycle
- ▶ Transaction level review
- ▶ Subrecipient Monitoring
- ▶ Monthly SEFA review
- ▶ Internal Control Questionnaires
- ▶ Train programmatic staff and other staff on grant requirements

# Applicable Guidance

Federal

2 CFR 200 (replaced A-133)

Compliance Supplement

State

UGMS

Grant Requirements

Contract

Grantor Specific Guidelines



