


Single Audit Update

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Reforms: Reduce Risk and Administrative Burden to Improve Outcomes


- Administrative Requirements (A-110, A-102, A-89)
 - Require Pre-Award Consideration of Merit/Risk
 - Streamline and Clarify Guidance on Subrecipient Monitoring
- Cost Principles (A-87, A-21, A-122)
 - Provide Consistency on Negotiated Indirect Cost Rates
 - Simplify Reporting Requirements for Time and Effort
 - Allow direct charging of directly allocable administrative costs



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Applicability

- Fiscal years beginning after December 26, 2014
 - Calendar year 2015
 - Fiscal year 2016
- Very long lead time



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Single Audit Changes Focus Audit Resources Based on Risk

- Raise audit threshold from \$500K to \$750K.
- Strengthen audit follow-up.
- Make audit reports and management decisions public & allow Pass-Through Entities (PTE) to rely on cognizant/oversight agency decisions.

New Subrecipient Definition

- Determines who is eligible to receive what federal assistance
- Has its performance measured in relation to whether federal program objectives were met
- Has responsibility for programmatic decision making
- Is responsible for adherence to applicable federal program requirements
- Uses the federal funds to carry out a program for a public purpose specified as opposed to providing goods or services for benefit of pass through entity

Pass Through Entities Must

- Ensure every subaward is clearly identified:
 - Federal award identification
 - Subrecipient name
 - Federal award identification number
 - Federal award date
 - Subaward period of performance
 - Total amount of federal award
 - Federal award project description
 - Name of federal awarding agency and contact official
 - CFDA number and name
 - Indirect cost rate applicable for the award

Pass Through Entities Must

- Evaluate each subrecipients risk of noncompliance
 - Subrecipient’s prior experience with same award
 - Results of previous audits
 - Whether subrecipient has new personnel or new systems
 - Extent and results of federal monitoring
- Monitoring activities should include
 - Reviewing financial and programmatic reports
 - Follow up on deficiencies detected through audits and on site reviews
 - Issuing management decisions for audit findings

Effort Reporting Documentation Must

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records
- Reasonably reflect the total activity for which the employee is compensated
- Encompass both federally assisted and all other activities compensated
- Comply with the established accounting policies
- Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award

Use of Budgeted Payroll Amounts

- Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
 - The system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - Significant changes in the corresponding work activity are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
 - The system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Use of Statistical Sampling for Payroll Allocation

- The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results
- The entire time period involved must be covered by the sample
- The results must be statistically valid and applied to the period being sampled
- Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable

Financial Statements

- Single Audit Entity must match financial statement entity
- SEFA Required Elements
 - Individual federal programs by federal agency
 - For awards received as subrecipient, name of pass through entity and identifying number assigned
 - Include total amount provided to subrecipient

Audit Findings Follow Up by Auditee

- Must prepare a summary schedule of prior audit findings
 - If corrected, list the prior finding and state corrective action was taken
 - If partially corrected or not corrected, must describe the reasons for the finding's recurrence and planned corrective action taken.
 - If auditee believes finding is no longer valid, must describe position why no longer valid and must include:
 - ◊ Two years have passed since finding reported to FAC
 - ◊ Federal agency is not following up with auditee on finding
 - ◊ Management decision was not issued

Audit Findings Follow Up by Auditee

- Corrective Action Plan elements
 - Address each audit finding in current year report
 - Name of contact person responsible for remediation
 - The remediation plan
 - Completion date for remediation plan
 - If disagree with audit finding, reasons behind disagreement must be disclosed

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Single Audits on the Web

- Subrecipient only required to submit report to FAC & no longer required to submit to recipient
- PTE no longer required to retain copy of subrecipient audit as on Web
- Require FAC to make the reporting packages available to the public

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Single Audit Reporting Package

- Financial Statements
- Auditors' Reports
- Summary Schedule of Prior Audit Findings
- Corrective Action Plan
- Data Collection Form

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Major Program Determination

- Type A/B threshold
 - Less than \$25M – 750k
 - \$25M to \$100M - .03 x federal awards expended
 - \$100M to \$1B - \$3M
 - \$1B to \$10B - .003 x federal awards expended
 - \$10B to \$20B - \$30M
 - >\$20B - .0015 x federal awards expended
- Type B risk assessments
 - No more type B's than ¼ low risk type A's
 - Type B's must be greater than 25% of threshold

Percentage of Coverage

- High risk auditee – 40% of federal awards expended
- Low risk auditee – 20% of federal awards expended

Audit Findings

- Federal program name and CFDA #
- Criteria - what is requirement
- Condition – what did you find
- Statement of Cause
- Possible asserted effect
- Questioned costs
- Information to provide proper perspective - # of errors, size of sample, size of population
- Whether or not repeat finding
- Recommendations
- Views of responsible officials

Questioned Costs

- Known questioned costs > \$25k
- Likely questioned costs > \$25k

Tentative Guidance

- Based on prior proposed revisions
- Official guidance will arrive when Compliance Supplement is officially released

Key Types of Compliance Requirements

- A. Activities Allowed or Unallowed & B. Allowable Costs/Cost Principles including:
 - H. Period of Availability in allowability.
 - G. Matching for whether costs claimed are RAA.
- C. Cash Management.
- E. Eligibility.
- L. Reporting.
 - G. Matching for appropriate matching claimed.
- M. Subrecipient Monitoring.

Moved to Special Tests with Justification

- D. Davis Bacon
- F. Equipment & Real Property Management
- G. Level of Effort & Earmarking
- I. Period of Availability of Federal Funds
- I. Procurement and Suspension and Debarment
- J. Program Income
- K. Real Property Acquisition & Relocation Assist



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