

# Successfully Navigating the Single Audit Process

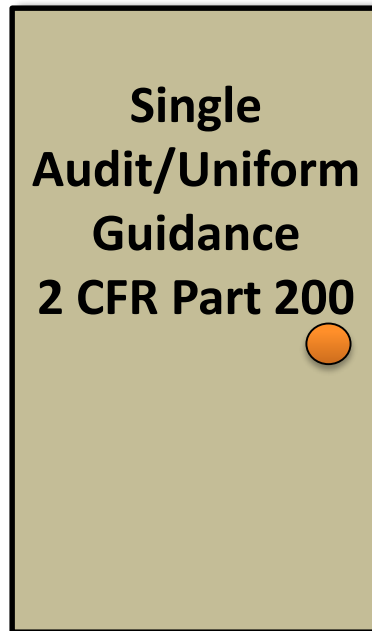


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# SUCCESSFULLY NAVIGATING THE SINGLE AUDIT PROCESS

*What's Behind the Single Audit/Uniform Guidance  
Door?*



# Single Audit Overview

- Single Audit is two-fold - Financial and Compliance
- Uses a risk-based audit approach
- Cost effective way to obtain audits because one audit is conducted instead of multiple audits of individual programs

# Goals of the Uniform Guidance

- Streamline for federal awards to ease administrative burden
- Strengthen oversight over federal funds to reduce risk of waste, fraud and abuse
- Focus grant policies on areas that emphasize the achievement of better grant outcomes (**performance**) at a lower cost



# 2CFR 200 – Basic Layout

- 6 Subparts A through F:
  - Subpart A, 200.XX – Acronyms & Definitions
  - Subpart B, 200.1XX – General provisions
  - Subpart C, 200.2XX – Pre Award – Federal
  - Subpart D, 200.3XX – Post Award – Recipients
  - Subpart E, 200.4XX – Cost Principles
  - Subpart F, 200.5XX – Audit



# 2CFR 200 – Basic Layout

- 11 Appendices – I through XI:
  - Indirect Costs Identification and Assignment and Rate Determinations for Higher Education and NFP Organizations – III and IV
  - Public Assistance Cost Allocation Plans VI
  - SF-FAC Appendix X (Data Collection Form)
  - Compliance Supplement Appendix XI



# Effective Date for Audit Requirements

## 200.110(b)

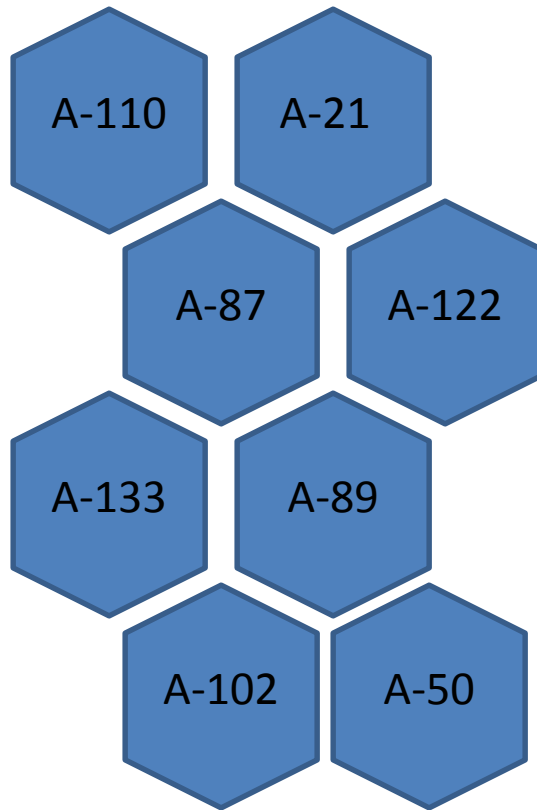
- Subpart F is effective for Non-Federal Entity Fiscal Years (FY) or biennial periods beginning on or after December 26, 2014 or
  - FY beginning January 1, 2015 and ending December 31, 2015.
  - FY beginning July 1, 2015 and ending June 30, 2016

# Audit Threshold

- Increases audit threshold from \$500,000 to \$750,000.
- Maintains oversight over 99.7% of the dollars currently subject to Single Audit and reduces audit burden for approximately 5,000 entities.
- Increase of \$250,000 is in line with the previous threshold increase in 2003.



# Eliminating Duplicative and Conflicting Guidance



Currently: Spread over these eight circulars

Uniform Grant Guidance: All OMB guidance for Federal awards streamlined in Title 2 of CFR, Part 200

Audit Requirements: A-133, A-50 and A-89

Administrative Requirements and Cost Principles: A-102, A-110, A-122, A-21, and A-87

## Implementation/Effective Date

- **Which requirements apply to you if you have grants awarded prior to December 26, 2014 and covers a grant period past December 26, 2014?**

# What Should I Expect?

- **What the Auditors Will Do**

- Understand the programs you manage
- Understand the risk profile of your programs
- Understand your control environment
- Understand your process and compliance controls
- Test your controls
- Test cash receipts and disbursements and cost allocations
- Test specific requirements
- Review reports
- Report on the results of the procedures above
- Get detail by expense function of how grant proceeds were spent



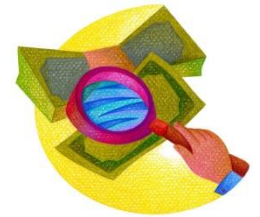
# What Should I Expect?

- **Purpose of the Work**
  - Determine your compliance with program requirements
  - Assess your control and compliance environment
  - Compliance is based on process controls and test of specifications
  - Negative assurance on compliance



# What Do the Auditors Do?

- Review documents
- Interview management and program personnel
- Test transactions and results
- Confirm or verify facts
- Discuss their observations, findings and questions
- Provide a formal exit meeting
- Provide a draft of their findings



# What Should You Do?

- Prepare Schedule of Federal Expenditures in accordance with Uniform Guidance
- Understand the Federal statutes and regulations related to your programs
- Evaluate and monitor noncompliance Federal compliance
- Promptly follow up and take corrective action on audit findings
- **Provide status of prior audit findings and corrective action plan(s)**
- Take reasonable measures to protect personally identifiable information
- Provide auditors access to personnel and records in order to perform the single audit



# Single Audit Test of Controls is Built On Foundation of Government Audit

## Single Audit/Uniform Guidance

- Understanding of controls over Federal compliance requirements to support a low assessed level of control risk over major programs
- Required report and schedule of findings

## GAS/Yellow Book

- Added requirement on safeguarding controls and controls over compliance with laws and regulations
- Require report and written significant deficiencies and material weaknesses

## GAAS

- Obtain understanding of internal controls over financial reporting sufficient to plan audit
- Understand controls; whether in place, whether operating
- Report oral or written significant deficiencies and material weaknesses

# Internal Control

A process designed to provide reasonable assurance of achieving the following:

- Effective and efficient operations
- Reliable financial reporting
- Compliance with laws, rules, regulations and guidelines





# Internal Controls

200.303, Internal Controls. For Federal awards  
Non-Federal entities must:

- a. Moved from OMB Circular A-133
- b. Establish and maintain effective internal controls
- c. Comply with Federal statutes, regulations, & terms and conditions
- d. Evaluate and monitor compliance
- e. Take prompt action on audit findings
- f. Safeguard protected personally identifiable information
- g. Best practices resource
  - i. Greenbook
  - ii. COSO Framework



# What Are We Looking for Controls to Do?

- Prevent or detect material noncompliance



# Types of Controls

## **Pervasive Controls -**

Controls around the process, i.e., separation of duties, supervision, hiring, training, skills

## **Specific Controls -**

Preventative -

Stop error from occurring

Detective -

Identify and notify that an error has occurred

## **Monitoring Control -**

Identify when a preventative or detecting control is not working



# Assessment of Risk

- **General Risk Consideration**
  - Experience
  - Length of time
  - Effect of non compliance
  - Routine/non-routine transaction
  - Estimate or judgment

# The Compliance Supplements

Go to [www.whitehouse.gov/omb](http://www.whitehouse.gov/omb)

**OMB Circular A-133**, Audits of States, Local Governments and Non-Profit Organizations (includes revisions published in the *Federal Register* 06/27/2003 and 06/26/2007) (34 pages, 173 kb)

[August 2017 Compliance Supplement](#)

[Federal Register Notice for the 2017 Compliance Supplement](#)

[July 2016 Compliance Supplement](#)

[July 2015 Compliance Supplement](#)

[May 2014 Compliance Supplement](#)

[June 2013 Compliance Supplement](#)

[June 2012 Compliance Supplement](#)



# The Compliance Supplements

You launch the 2017 supplement and it will read

**2 CFR PART 200, APPENDIX XI**

**COMPLIANCE SUPPLEMENT**

**APRIL 2017**

**EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT**

Part 3 had 2 sections:

**1) THE FOLLOWING COMPLIANCE REQUIREMENTS APPLY TO FEDERAL AWARDS WITH TERMS AND CONDITIONS BASED ON THE OMB CIRCULAR A-102 COMMON RULE, OMB CIRCULAR A-110 (2 CFR PART 215), OR THE OMB COST PRINCIPLES CIRCULARS PART 3.1**

**2) THE FOLLOWING COMPLIANCE REQUIREMENTS APPLY IN LIEU OF THOSE IN PART 3.1 TO FEDERAL AWARDS WITH TERMS AND CONDITIONS BASED ON THE UNIFORM GUIDANCE IN 2 CFR PART 200 PART 3.2**

Part 4 – Specific supplements by CFDA number



# Areas to Review for Compliance

- A Activities allowed or unallowed
- B Allowable costs/cost principles
- C Cash management
- D **Davis-Bacon Act – no longer in 2017 supplement**
- E Eligibility
- F Equipment and real property management
- G Matching level of effort, earmarking
- H Period of availability of Federal funds
- I Procurement and suspension and debarment
- J Program income
- K **Real property acquisition/relocation assistance – no longer in 2017 supplement**
- L Reporting
- M Subrecipient monitoring
- N Special test and provision

# What Does Compliance Mean?

- Effective management of public funds to maximize outcomes
- The avoidance of fraud, mismanagement, and poor management of Federal funds
- Adherence to laws, rules and regulations
- Check and balances - internal controls
- Stewardship of Federal funds





# Why We Have Problems with Compliance

- Lack of understanding by staff of roles and responsibilities
- Inadequate resources
- Incomplete, outdated or nonexistent policies and procedures
- Inadequate staff training and education



# Why We Have Problems with Compliance

- Inadequate systems
- Lack of documentation and audit trail to support claimed expenses
- Perception that internal control systems are not necessary



# Compliance: Back to the Basics

- Do the right thing...from the start!!!
- Keep policies current with Federal requirements (2 CFR Part 200 – Uniform Guidance)
- Perform **risk assessments** and implement adequate internal controls



# Compliance: Back to the Basics

- Develop a continuing training program
- Monitor first, audit second

*COMMUNICATE, COMMUNICATE, COMMUNICATE!!!*

*With employees and Federal Agency*

*DOCUMENT, DOCUMENT, DOCUMENT!!!*

*Always remember, if you didn't write it down, it didn't happen*



# Type of Control Weaknesses

<p><b>Significant Deficiency</b></p>	<p><i>Quantitative Deficiencies</i> - Any internal control related findings quantitatively less than the Program Tolerable Noncompliance should be classified as a Significant Deficiency to the program.</p> <p><i>Qualitative Considerations</i> - Documentation of the rationale for any qualitative considerations used in this type of assessment/conclusion should be documented in the Findings Assessment Worksheet and evaluated by AOA.</p>
<p><b>Material Weakness</b></p>	<p><i>Quantitative Considerations</i> - Any internal control related findings quantitatively equal to or greater than the Program Tolerable Noncompliance should be classified as a Material Weakness in the program.</p> <p><i>Qualitative Considerations</i> - There may be instances, based on auditor judgment, where internal control related findings that quantitatively would not be considered material, may be deemed material weaknesses by the auditor based on the nature of the finding. Documentation of the rationale for this type of assessment/conclusion should be documented in the Findings Assessment Worksheet and evaluated by AOA.</p>

# Type of Compliance Finding

<p><b>Material Noncompliance</b></p>	<p><i>Quantitative Considerations</i> - Any noncompliance quantitatively equal to or greater than the Program Tolerable Noncompliance should be classified as Material Noncompliance to the program.</p> <p><i>Qualitative Considerations</i> - There may be instances, based on auditor judgment, where noncompliance that quantitatively would not be considered material, may be deemed material noncompliance by the auditor based on the nature of the finding. Documentation of the rationale for this type of assessment/conclusion should be documented in the Findings Assessment Worksheet and evaluated by AOA.</p>
<p><b>Noncompliance</b></p>	<p><i>Quantitative Considerations</i> - Any internal control related findings quantitatively less than the Program Tolerable Noncompliance should be classified as Noncompliance to the program.</p> <p><i>Qualitative Considerations</i> - Documentation of the rationale for any qualitative considerations used in this type of assessment/conclusion should be documented in the Findings Assessment Worksheet and evaluated by AOA.</p>

# Single Audit Compliance: WHY... Do We Care?

- Findings are reported to Federal government and become public record, distributed to all Federal Agencies through a clearing house.
- Federal and Non-Federal sponsors look at Single Audit as a 'report card' of how we spend their money.



# Single Audit Compliance: WHY... Do We Care?

- It strengthens the relationship of trust that exists between the sponsor and recipient
- It suggests a presence of the stewardship necessary to properly safeguard the Federal Government's investment in programs





# Single Audit Compliance: WHY... Do We Care?

- Negative publicity, may cause harm to reputation and prestige
- May cost \$ millions in payback
- Additional oversight burden



# Uniform Guidance Highlights



# Single Audit Report Submission

## **200.512 Report Submission**

requires publication of Single Audit Reports online with safeguards for protected personally identifiable information and an exception for Indian tribes in order to reduce the administrative burden on non-federal entities associated with transmitting these reports to all interested parties.



# Single Audit Report Submission (continued)

- All auditees must submit the reporting package and the data collection form electronically to the Federal Audit Clearinghouse (FAC) (200.512(d)).
- FAC submission process will be changed to require that submissions be in text-based PDF and unlocked to improve accessibility.
- FAC responsible to make the reports available on a Web site (200.512(g)).



# Single Audit Reports on the Web - PPII

- Auditors and auditees must ensure reports do not include protected personally identifiable information (PPII) (200.82 & 200.512(a)(2)).
- Auditee must sign statement that (200.512(b)(1)):
  - a. Reports do not include PPII.
  - b. Authorizes FAC to make reports publically available on a Web site.

# FAC Repository of Record for Reporting Packages (200.36 & 200.512(b))

- Federal agencies, pass-through entities, and others obtain copies by accessing FAC website.
- Subrecipient only required to submit report to FAC and no longer required to submit to pass-through entity.
- **Pass-through entity is no longer required to retain copy of a subrecipient report, as it is available on the Web.**



# Procurement: Standards of Conduct

- Grace period to conform procurement policies and procedures to new 2CFR, 200 is fiscal years beginning after December 26, 2017
- You need to have new polices and procedures in place
  - January 1, 2018 for calendar year ends
  - July 1, 2018 for June 30 fiscal year ends
  - October 1, 2018 for September 30 fiscal year ends

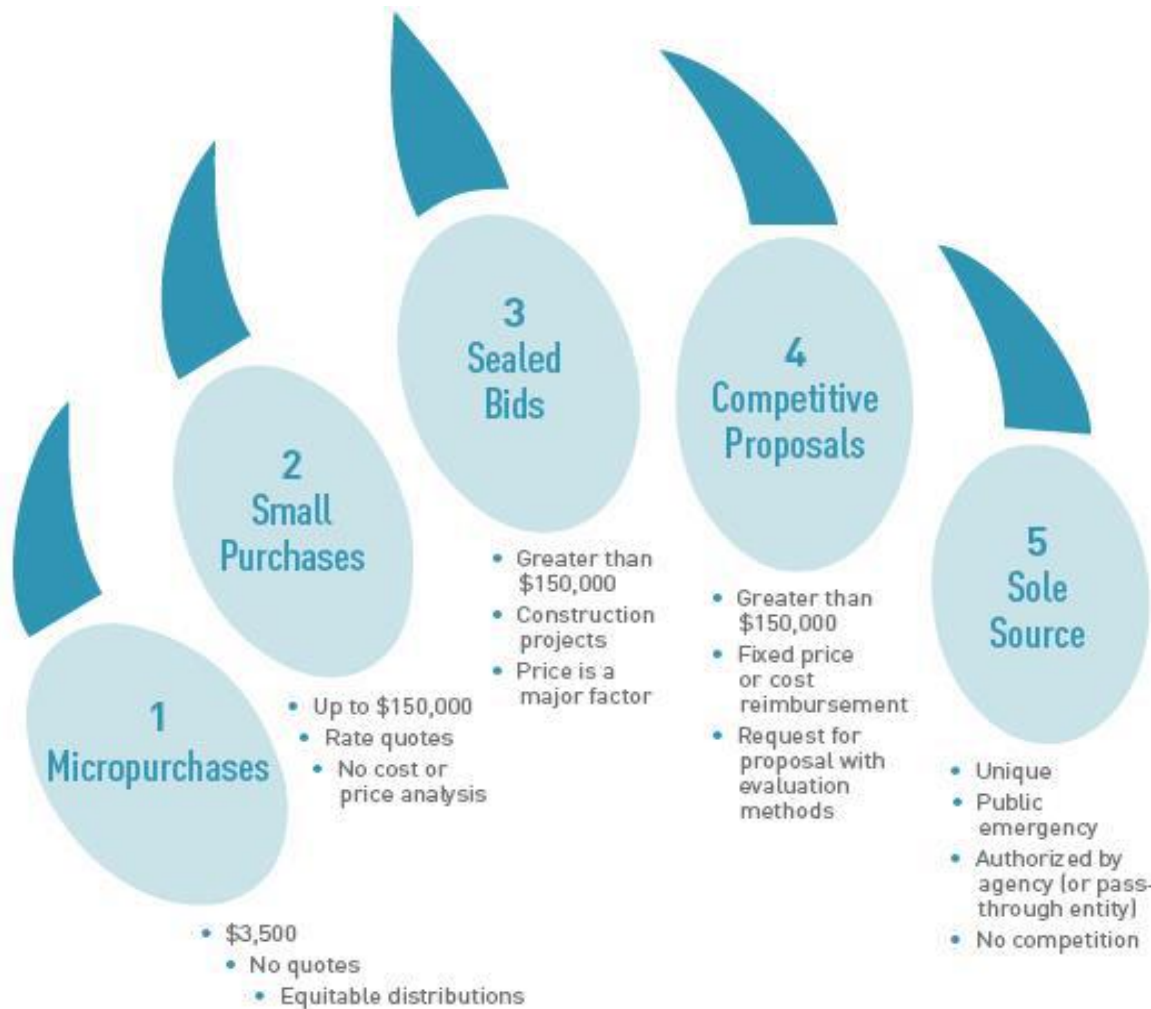
# Procurement: Standards of Conduct

- The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts
- New provision that covers organizational conflict of interest
  - If the non-Federal entity has a parent, affiliate, or subsidiary organization (that is not a state, local government, or Indian tribe), the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest
- Conflicts of interest is required to be reported under 2 CFR 200.113 – violations of Federal criminal law



# Procurement: Standards of Conduct (Continued)

- The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items
- Non-Federal entities are encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services
- The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property when this is feasible and reduces project costs



Source: "Frequently Asked Questions for the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200," published by the Council on Financial Assistance Reform (COFAR).

# Methods of Procurement

Methods of procurement to be followed

- **Micro-Purchases (New method)**
  - Under \$3,500 ( up from \$3,000)
  - No quote or bid required
  - No cost or price analysis required
  - Equitable distribution among range of qualified vendors
  - Use inter-agency agreements where applicable
- **Small purchase procedures**
  - Under \$150,000 and above \$3,500
  - Informal solicitation and price or rate quotes required for adequate no. of sources
  - Equitable distribution among range of qualified vendors
  - Use inter-agency agreements where applicable

# Methods of Procurement (Continued)

- Sealed Bids
  - Typically used for construction contracts
  - Bids must be publicly solicited
  - At least 2 or more qualified bidders
  - Provide complete, adequate and realistic specifications
  - Bidders can be selected based on lowest price; fixed price contracts are allowed
- Competitive Proposals
  - Requires a request for proposal
  - Adequate # of qualified sources
  - Written method for conducting technical evaluations and for selecting recipients

# Methods of Procurement (Continued)

- Sole Source- non competitive
    - revised to clarify that solicitation of a proposal from only one source may be used only when one or more of the following apply:
      - The item is available only from a single source
      - The public emergency for the requirement will not permit a delay resulting from competitive solicitation
      - The Federal awarding agency (or pass-through entity) expressly authorizes this method in response to a written request from the non-Federal entity
      - After solicitation of a number of sources, competition is determined inadequate
- OLD - Under A-110 – justification for lack of competition in procurement > small purchase threshold

# Sub-recipient Monitoring and Management

## 200.330-332

- Section 200.330 explains the roles of sub-recipients and contractors so that the non-Federal entity can determine the relationship and the applicable requirements
- A non-Federal entity provides a sub-award to a sub-recipient for the purpose of **carrying out a portion of a Federal award** and creates a Federal assistance relationship between the non-Federal entity and the sub recipient
- A non-Federal entity provides a contract to a contractor for the purpose of **obtaining goods and services** for the non-Federal entity's own use and creates a procurement relationship between the non-Federal entity and the contractor
- What the document is called does not matter; the relationship is the basis for determining which requirements are applicable

# Sub-recipients Monitoring and Oversight Requirements for Pass-through Entities

- Requirements for pass-through entities
- The pass-through entity must:
  - Put specific information in the sub-award, including indirect cost rate
  - Do a risk assessment to determine appropriate sub-recipient monitoring AND must monitor sub-recipients
  - Consider if specific sub-award conditions are needed
  - Verify sub-recipients have audits in accordance with Single Audit
  - Make any necessary adjustment to the pass-through entity's records based on reviews and audits of sub-recipients
  - Consider actions to address sub-recipient noncompliance

# Evaluating Sub-recipient Risk to Determine Appropriate Monitoring

- The pass-through entity must evaluate each sub-recipient's **risk of noncompliance with Federal statutes**, regulations, and the terms and conditions of the sub-award for the purpose of determining appropriate sub-recipient monitoring, which may include consideration of factors such as (200.331(b)):
  - Prior experience with same or similar sub-awards
  - Results of previous audits
  - Whether new or substantially changed personnel or systems
  - Extent and results of Federal awarding agency monitoring



# Conflict of Interest & Mandatory Disclosures

- Two new requirements that strengthen oversight:
  - a. 200.112, Conflict of interest
    - i. The Federal awarding agency must establish conflict of interest policies for their Federal awards
    - ii. The non-Federal entity must disclose **in writing** any potential conflict of interest to the Federal awarding agency (or pass-through entity) in accordance with applicable Federal awarding agency policy
  - b. 200.113, Mandatory disclosures
    - i. Non-Federal entities (and applicants) **must disclose** all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award



# Conflicts of Interest (COI) Basics

- Some things to know about COI
  - a. A conflict of interest (COI) occurs when an individual or organization is involved in multiple interests, one of which could possibly bias the motivation for an act in the other.
  - b. A conflict of interest can exist even if there has been no unethical or improper activity. It is NOT a “no harm no foul” situation. Even the appearance of COI is reason to mitigate.
  - c. For many professionals and professions, it is virtually impossible NOT to have COI from time to time.
  - d. Federal Prime Contractors can be held liable for the COIs of their Subcontractors



# Other Administrative Requirements

## Mandatory Disclosure

- **Mandatory disclosure (200.113)**
  - a. **Recipients and sub-recipients** must disclose, “in a timely manner,” **in writing to the awarding agency or pass-through entity** “all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.”
  - b. Failure to make “required disclosures, “can result in remedies in 200.338, including withholding of payments, disallowance, and suspension/debarment from future awards.

# Other Administrative Requirements

## Mandatory Disclosure (continued)

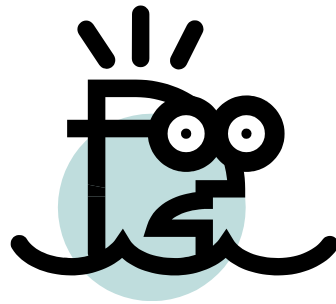
- **Mandatory disclosure (200.113)**
  - c. This disclosure requirement is narrower than the so-called “mandatory disclosure” rule under the Federal Acquisition Regulation (FAR).
  - d. 200.113 requires disclosure of violation of Federal *criminal* law – higher standard of proof and intent required
  - e. FAR rule, on the other hand, is triggered if the contractor has “credible evidence” of violation of Federal criminal law, violation of civil False Claims Act, or significant overpayment



# How Do I Prepare?

- Know your program requirements
- Have documents available
- Understand your procedures
- Understand the single audit compliance requirements – Parts 3 and 4 compliance supplements
- Know the status of prior audit findings and corrective action plans

# You Will Survive!!!



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