

Successfully Navigating the Single Audit Process



Monique Booker
SB & Company, LLC
Maryland Governor's Grants Conference
October 29, 2018



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

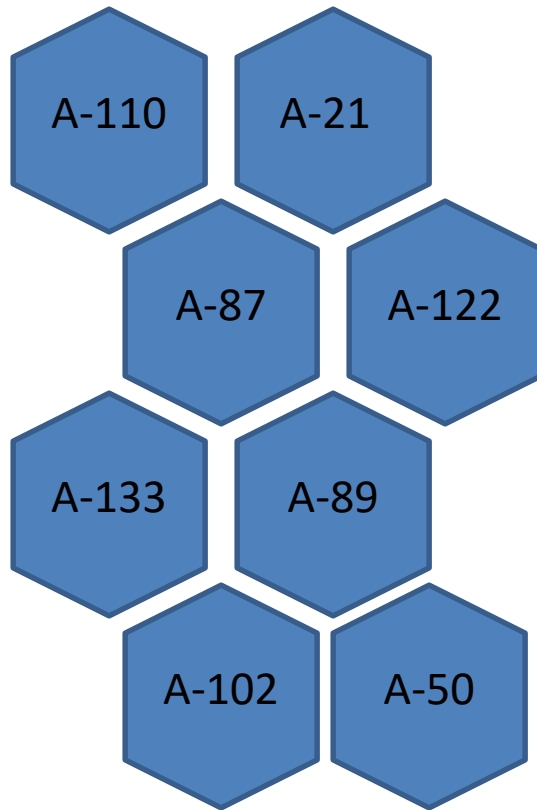


Effective Date for Audit Requirements

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
- For Non-Federal Entity that spends \$750,000 or more per year

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

What Should I Expect?

- **What the Auditors Will Do**

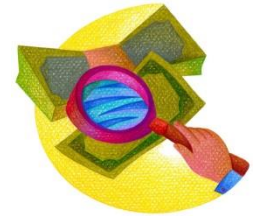
- Understand the programs you manage
- Understand the risk profile of your programs
- Understand your control environment
- Understand your process and compliance controls
- Get detail by expense function of how grant proceeds were spent
- Test your controls
- Test cash receipts and disbursements and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

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

2018 Supplement background and effective date

- Referred to as a “skinny” supplement as it only modifies sections that were considered to need significant changes
- Effective for audits of fiscal years beginning after June 30, 2017
- Portions of 2017 Supplement that were not superseded continue to be effective for 2018 single audits
- Table of Content describes where the 2017 Supplement is superseded and how to use the 2017 and 2018 Supplements together

The Compliance Supplements

Accessing the 2018 Supplement

- Available on OMB web site as a single pdf
- <https://www.whitehouse.gov/omb/management/office-federal-financial-management/>
- GAQC 2018 Supplement Tool to assist auditors in using the 2018 and 2017 Supplements together and improve efficiency

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

Significant Deficiency	<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.</p>
Material Weakness	<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.</p>



Type of Compliance Finding

Material Noncompliance	<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.</p>
Noncompliance	<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.</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 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.

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

Procurement

- On June 20, 2018, the [Office of Management and Budget \(OMB\) implemented statutory changes to the micro-purchase and the simplified acquisition thresholds for financial assistance.](#)
- These changes were authorized by the National Defense Authorization Act (NDAA) for FY 2018, Pub. L. No. 115-91, which became law on December 12, 2017. Federal grant recipients need to be aware of these changes and may need to update their procurement rules accordingly.

Procurement (Continued)

- And though you will not see these changes in 2 CFR Part 200 quite yet, OMB does intend to revise the Uniform Guidance to conform with the law.

Methods of Procurement

Methods of procurement to be followed

- **Micro-Purchases (New method)**
 - Under \$10,000 (up from \$3,500)
 - 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 \$250,000 (the limit for the simplified acquisition rules)
 - Informal solicitation and price or rate quotes required for adequate no. of sources
 - Equitable distribution among range of qualified vendors
 - **No cost or price analysis** is required for purchases under the simplified acquisition limit
 - Use inter-agency agreements where applicable

Methods of Procurement (Continued)

- **Sealed Bids (over \$250,000)**
 - 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 (over \$250,000)**
 - 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 (any amount)
 - 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

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



Allow ability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

1. Advertising and Public Relations Cost. (UWE) 200.421
2. Advisory Councils. (A) 200.422
3. Alcoholic Beverages. (UA) 200.423
4. Alumni/ae Activities (UA) 200.424
5. Audit Services. (A) 200.425
6. Bad Debts. (UA) 200.426
7. Bonding Costs. (A) 200.427
8. Collections of Improper Payments. (A) 200.428 (New Principle)
9. Commencement & Convocation Costs. (UA) 200.429
10. Compensation - Personal Services. (AWR) 200.430
11. Compensation – Fringe Benefits. (AWR) 200.431
12. Conferences. (AWR) 200.432
13. Contingency Provisions. (AWR) 200.433

Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

14. Contributions and Donations (UA) 200.434
15. Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement. (UWE) 200.435
16. Depreciation. (AWR) 200.436
17. Employee health, and welfare costs. (A) 200.437
18. Entertainment costs. (UWE) 200.438
19. Equipment and other capital expenditures. (AWR) 200.439
20. Exchange Rates (AWR) 200.440 New Cost Principle
21. Fines and penalties. (UA) 200.441
22. Fund raising and Investment Management Costs (UWE) 200.442
23. Gains & Losses on Disposition of Depreciable Assets (AWR) 200.443
24. General Costs of Government (UA) 200.444 State & Local Gov't
25. Goods or Services for Personnel Use (UA) 200.445
26. Idle Facilities and Idle Capacity (AWR) 200.446
27. Insurance and Indemnification (AWR) 200.447

Allow ability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

28. Intellectual Property. 200.448 (AWR)
29. Interest. 200.449 (UWE)
30. Lobbying. 200.450 (UWE)
31. Losses on Other Awards or Contracts. 200.451 (UA)
32. Maintenance and Repair Costs. 200.452 (A)
33. Materials, Supplies Including Computing Devices. 200.453 (A)
34. Memberships, Subscriptions, & Professional Activity Costs. 200.454 (AWR)
35. Organizational Costs. 200.455 (UA)
36. Participant Support Costs. 200.456 (AWR)
37. Plant and Security Costs. 200.457 (A)
38. Pre-Award Costs. 200.458 (AWR)
39. Professional Service Costs 200.459 (AWR)

Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

40. Proposal Cost 200.460 (AWR) New Cost Principle
41. Publication and Printing Costs. 200.461 (AWR)
42. Rearrangement and Reconversion Costs.200.462 (AWR)
43. Recruiting costs. 200.463 (AWR)
44. Relocation costs. 200.464 (AWR)
45. Rental Costs of Real Property and Equipment 200.465 (AWR)
46. Scholarships and Student Aid Costs 200.466 (AWR)
47. Selling and Marketing Expenses 200.467 (UWE)
48. Specialized Service Facilities 200.468 (AWR)
49. Student Activity Costs 200.469 (UA)
50. Taxes Included VAT 200.470 (UWE)
51. Termination Costs 200.471 (AWR)
52. Training and Education Costs 200.472 (A)

Allowability of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

- 53. Transportation Costs. 200.473 (A)
- 54. Travel Costs 200.474 (AWR)
- 55. Trustees 200.475 (A)

Cost Principles – Prior Written Approval

- Provides a one-stop comprehensive list of the circumstances under which non-Federal entities should seek prior approval from the Federal awarding agency.

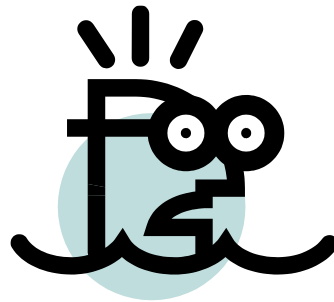
Audit Findings (200.516)

- Increases the threshold for reporting known and likely questioned costs from \$10,000 to \$25,000 (200.516(a)(3) & (4)).
- Requires that questioned costs be identified by CFDA number and applicable award number (200.516(b)(6)).
- Requires Identification of whether audit finding is a repeat from the immediately prior audit and if so the prior year audit finding number (200.516(b)(8)).
- Provides that audit finding numbers be in the format prescribed by the data collection form (200.516(c)).

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!!!



Contact Information

Monique Booker

Partner

SB & Company, LLC

200 International Circle, Suite 5500

Hunt Valley, Maryland 21030

(410) 584-1403 (office)

mbooker@sbandcompany.com

