

# Single Audit & Grant Compliance Review

---

November 13, 2014



# Objectives

- Discuss and review recently issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards or Super Circular)
- Discuss the auditee's responsibilities in a single audit, and how to prepare

- Streamlines grant administration by creating uniform regulations for cost principles and audit requirements
- Consolidates **eight** Federal Regulations into one Super Circular
- OMB Cir A-133 will be replaced by Subpart F- Audit Requirements in 2 CFR Part 200

- Objective is to eliminate duplicative and contradictory provisions for grants and financial assistance and reduce administrative burden, waste, fraud, and abuse.
- **Effective** for years **beginning** on or after **December 26, 2014**  
(YE = 12/31/2015, 6/30/2016, 8/31/2016, 9/30/2016)

# Key Changes

- Establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards
- Provides for federal agencies to approve alternative methods of accounting for salaries and wages
- Requires pass-through entities to provide an indirect cost rate to sub recipients

# Key Changes

- Provides a de minimis indirect cost rate of 10% of Modified Total Direct Cost
- Raises audit threshold to \$750,000, reducing audit burden
- Prohibits federal awarding agencies from imposing additional or inconsistent requirements

# Key Changes

- Provides for waiving certain compliance requirements on a case-by-case basis
- Contains a section for definitions applicable to all non-federal agencies
- Provides for federal awarding agencies to apply less restrictive requirements when making fixed amount awards

# Super Circular

## **Previous Guidance:**

- A-21, A-87, A-122 Cost Circulars
- A-133 Single Audit Guidance
- A-89 Catalog of Federal Domestic Assistance
- A-102, A-110 Uniform Administrative Requirements
- A-50 Audit Follow-up

## **Super Circular:**

- Subpart A – Acronyms and Definitions
- Subpart B – General Provisions
- Subpart C – Pre Federal Award Requirements
- Subpart D – Post Federal Award Requirements
- Subpart E – Cost Principles
- Subpart F – Audit Requirements



## Subpart A – Acronyms and Definitions

One example is the definition and distinction between a contractor and a sub recipient.

**Contractor** – An entity that receives a contract defined in 200.022

- *Used instead of “vendor”*
- *Contract is a legal instrument by which a non-federal entity purchases property or services needed to carry out the project or program under a federal award*

**Sub recipient** – A non-federal entity that receives a sub award from a pass-through entity to carry out a part of a federal program

- *Sub award – 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*

**Difference = Nature of the relationship,  
not what the agreement is called**

## Subpart B – General Provisions

Purpose is to establish uniform administration requirements, cost principles and audit requirements for all types of non-federal entities.

## Subpart C – Pre Federal Award Requirements

- Public notice for grants through CFDA and must include 6 data points (§ 200.202):
  - Program description, purpose, goals and measurement
  - Identification of discretionary vs. formula grants
  - Projected total amount of funds available
  - Anticipated source of available funds
  - General eligibility requirements
  - Applicability of single audit requirements (Subpart F)
- Merit-based review of proposals (§ 200.204)
  - Described in corresponding funding opportunity

## Subpart C – Pre Federal Award Requirements

- Competition in Grants
  - Risk analysis of potential grantees
  - Framework in place to determine eligibility and risks of applicants and described in funding opportunity (§ 200.205)
  - Risk factors include:
    - financial stability, quality of management systems
    - performance history
    - audit findings
    - applicants' effectiveness in implementing statutory and regulatory requirements
    - standardization of information contained in awards
    - federal awards must include 15 uniform data sets including timing and scope, expected performance and outcomes (§ 200.210)

## Subpart D – Post Federal Award Requirements

- Internal Controls – § 200.303
  - Requirements are highlighted in Super Circular as extremely important
  - Organizations must establish and maintain effective internal controls over federal awards to provide reasonable assurance that awards are being managed in compliance with laws and regulations
  - Exercise judgment in determining the most appropriate and cost effective internal control in a given circumstance
  - Take prompt action when instances of noncompliance are identified (audit findings)
  - Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive, or the non-Federal entity considers sensitive, consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality
  - Consider information technology policies

## Subpart D – Post Federal Award Requirements

- Procurement - Highlights of § 200.318
  - General Procurement Standards- New provision covering conflict of interest with parent, affiliate, or subsidiary organizations (component units, etc.)
  - Shared procurement with state and local government agreements
  - Procurement records must be maintained sufficiently to detail the history of all procurements, not just those over small purchase threshold
  - Consider Federal excess surplus property (cost effectiveness)
  - Must have ceiling on “Time and Material” contracts
  - Five methods allowed (§ 200.320)
  - Must take all necessary affirmative steps to assure that minority businesses, women’s business enterprises, and labor surplus area firms are used when possible (not just “positive efforts...whenever possible”) (§ 200.321)
  - Cost price analysis required if the contract is in excess of \$150,000 (Simplified Acquisition Threshold adjusted for inflation) (§ 200.323)

## Subpart E – Cost Principles

- Major changes to note
  - Prior written approval requirements
  - Indirect cost rates
  - Compensation of personnel and fringe benefits (high standards on internal control for records used to document salaries charged to federal programs and must be based on accurate records that reflect work)
  - Idle facility/capacity

## Subpart F – Audit Requirements

- Increased threshold for a single audit from \$500k to \$750k
- Increased Type A threshold (i.e. from \$300,000 to \$750,000)
- Increased Type B (i.e. \$100,000 to \$187,500)
- Low-Risk Auditee Criteria - now includes that auditor's report did not include a going concern



## Subpart F – Audit Requirements

- Unmodified opinion on a major program
- Percentage of coverage rule- 25 percent to 20 percent for low-risk auditees
- 50 percent to 40 percent for all others
- Questioned costs reporting - increases the threshold for reporting known or likely questioned costs from \$10,000 to \$25,000

## Subpart F – Audit Requirements

- Requires more detailed information to be reported
- High Risk A criteria - material weakness in internal control (was any control deficiency finding)
- Modified opinion on the program
- Known or likely questioned costs that exceed 5% of total program expenditures

## Subpart F – Audit Requirements

- High Risk B criteria - auditor not required to identify more than at least  $\frac{1}{4}$  the number of low-risk Type A
- No longer have two options to choose from
- Items not addressed:
  - No current changes to the 14 compliance requirements included in the compliance supplement
  - Changes to state-specific audit guidelines (for example, UGMS)

# Prepare Now

- Ensure an appropriate understanding of effective dates
- Obtain an understanding of the new requirements
- Focus on most significant areas first
- Time and effort, reporting, allocating indirect costs, procurement, internal control, and sub recipient monitoring
- Develop a plan to become compliant
- Training is important

- Must engage auditors
- Must prepare appropriate financial statements, including SEFA
- Promptly follow up and take corrective action
- Provide auditor with access to personnel, records, and documentation

# Prepare SEFA

## The SEFA must:

- List federal programs by federal agency
- For awards received as a sub recipient, list the name and identifying number assigned by the pass-through entity
- Provide total federal awards expended for each individual Federal program, and the CFDA number
- Provide a total for each cluster
- Include total amount provided to sub recipients from each federal program
- Include notes that describe the significant accounting policies used in preparing the SEFA, and note whether or not the 10% de minimis cost rate was used

## Corrective action plan:

- Provide the name of the contact person responsible for corrective action
- Corrective action planned
- Anticipated completion date

Revised audit requirements focus more on risk:

- Increases audit threshold
- Focuses on risk to determine major programs
- Provides for greater transparency of audit results



Basic single audit process remains unchanged, though details have been modified to reduce the single audit burden on many auditees, while retaining coverage over federal awards

- Maintains oversight over more than 99% of current single audit dollars, and reduces burden for 5,000 entities

## Low-Risk Auditee – Impact?

- Minimum coverage for low-risk auditees – 20% of Federal awards expended
- Minimum coverage for auditees that are not low risk – 40% of Federal awards expended



# Questions?

Adam McCane, CPA | Partner  
817.882.7768 | [adam.mccane@weaver.com](mailto:adam.mccane@weaver.com)

Jackie Gonzalez, CPA | Senior Manager  
817.882.7758 | [jackie.gonzalez@weaver.com](mailto:jackie.gonzalez@weaver.com)