

# CGFOA Single Audit Update

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**WELCOME**

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- Uniform Guidance revisions
- Other single audit updates and reminders
- Updates to the Compliance Supplement
- Best practices for handling grant funds at your government

# Uniform Guidance Revisions

# Uniform Guidance Update & Revisions

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- Issued on April 22, 2024
- Effective date is October 1, 2024 (applied to awards issued on or after that date)
- Federal agencies can apply the new guidance prior to October 1, 2024, but they are not required to do so
  - Agencies cannot apply the new changes prior to June 21, 2024 (60 days from the release of the final rules)

# UG Revisions - Important Definitional Changes

- Section 200.1 *Definitions*
  - Equipment – Capitalization threshold increased from \$5,000 to \$10,000
    - Equipment purchases over this new threshold should be tracked by the awardee until disposition of the asset/completion of the grant
  - Modified Total Direct Costs – increased up to \$50,000 (it was \$25,000) of each subaward
    - This is the base in which indirect costs rates can be applied
  - Questioned Costs – updated the definition to clarify and provide examples of what a questioned costs is/is not. Moved from 2 CFR 200.516 into 2 CFR 200.1
    - Reference this if you're interested in learning more about what questioned costs could be

# UG Revisions - Key Changes

- Section 200.303 *Internal Controls*

- Made Plain English changes, including the replacement of non-federal entity with recipient and subrecipient
- Section 200.303(a) added emphasis that recipients and subrecipients must document internal control
- Section 200.303(e) added a requirement that a recipient/subrecipient take “reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information.”

- Section 200.314 *Supplies*

- Increased threshold from \$5,000 to \$10,000 regarding requirement in 200.314(a) to remit unused supplies
  - Unused supplies over this amount at the end of a program require compensation to the awarding agency

# UG Revisions - Key Changes

- Section 200.317 *Procurement by States and Indian Tribes*
  - Significant update to allow Tribes to be treated the same as states, thereby allowing them to follow their own procurement policies and procedures as opposed to those in Section 200.318
- Section 200.333 *Fixed Amount Subawards*
  - Expanded guidance to clarify certain requirements for fixed amount subawards. Examples include clarifying that unexpended funds may be retained if the program objectives and milestones have been achieved.
  - Increased threshold for fixed amount subawards from the previous simplified acquisition thresholds to \$500,000
- Section 2 CFR 200.414 *Indirect costs*
  - Increase in the de minimis rate to an amount up to 15%
  - You still can't recover more indirect costs than those actually incurred

# UG Revisions - Key Changes

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- Section 2 CFR 200.414 *Indirect costs*

- Clarification to the requirement that pass-through entities must accept all federally negotiated indirect cost rates for subrecipients (200.414(d)).
- Clarification that a recipient or subrecipient may notify OMB of any disputes with Federal agencies regarding the application of a federally negotiated indirect cost rate. However, OMB clarified they will not be a formal arbitrator of indirect cost rate disputes.

- Section 2 CFR 200.414 *Required certifications*

- 200.415(b) added specific language requirements for subrecipients to certify to their pass-through entity or entities whenever applying for funds, requesting payment, and submitting reports. This will apply to all tiers of subrecipients.

# UG Revisions - Key Changes

- Section 200.204 *Notices of funding opportunities*
  - This section contained several changes to align with OMB's objective of reducing administrative burden on recipients. For example, the Notice of Funding Opportunity (NOFO) must include an executive summary and a limit on the length of the published NOFO.
- Section 200.320 *Procurement Methods*
  - Change in terminology to be consistent with standard terminology to change "small purchases" to "simplified acquisitions". Clarification that "micro-purchases" and "simplified acquisitions" are types of "informal procurement methods for small purchases."
  - Includes slight revisions allowing "the recipient or subrecipient may exercise judgment in determining what number is adequate" when referring to the number of rate quotations to be obtained.

# UG Revisions - Key Changes

- Section 200.331 *Subrecipient and contractor determinations*
  - Clarification was added to clarify that no single factor or combination of factors contained in this section is necessarily determinative. Emphasis was noted on the need for the pass-through entity to exercise judgment in classifying each agreement as a subaward or a procurement contract.
- Section 200.431 *Compensation – fringe benefits*
  - Provides clarification that either pension costs through the pay as you go method or through the actuarially determined cost method are allowed and are consistent with subrecipient's established written policies
  - Payments for unfunded pension costs may only be charged to grants for those employees that devoted time/effort to that grant

# UG Revisions - Key Single Audit Changes

- *Section 200.501 Audit Requirements*
  - Increased the single audit threshold from \$750,000 to \$1,000,000
- *Section 200.518 Major Program Determination*
  - Increased the Type A threshold to \$1 million and the amount of awards expended for which it applies increased from \$25 million to \$34 million
    - This will lead to less overall programs being tested for those governments with larger SEFAs
- *Section 200.516 Audit Findings*
  - Added that when there are known questioned costs, but the dollar amount is undetermined or not reported, a description of why the dollar amount was undetermined or otherwise could not be reported, must be documented

## UG Revisions - FAQs

- Can auditors adopt the new audit threshold for their client's June 30, 2024 audits?
  - No – Adoption will be for years ending September 30, 2025 or later
  - **Single audits for 2024 will still fall under the \$750,000 threshold**
- How will we deal with compliance when some awards will be subject to the current UG and some the new UG?
  - Your auditors will need to determine the UG criteria relevant to each award. The 2025 Compliance Supplement is expected to address both the current and new UG requirements in Part 3. However, be prepared to know which grants are under the old guidance and which are under the new guidance based on award date(s).

## UG Revisions - FAQs

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- How will auditors determine if an award is subject to the current UG or the new UG?
  - For new awards, this will be based on the date. Auditors can also reference the terms and conditions.
- The new rule says some agencies can adopt the new UG in their awards as early as June 2024. How will we know which agencies have early adopted?
  - As of June 2024, 3 agencies have requested early adoption. It is anticipated that OMB will disclose agencies which have been approved to early adopt.



# Other Reminders

# GAO Study on FAC Data

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- Study was related in April with data problems related to auditor-submitted data noted as follows:
  - Inaccurate ALNs
  - Indirect awards inaccurately recorded as direct awards
  - Audit opinions noted did not match underlying reports
  - Incorrectly included financial statement findings
  - COVID-19 identifier problems
  - Incorrectly entered federal award expenditures, including truncation and rounding issues

## Other Items

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- GAQC has noticed an uptick in questions around reissuances of single audit report, often due to pandemic funding that was overlooked by auditees

# 2024 Compliance Supplement

# Background

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- Issued May 29, 2024
- Effective for audits of fiscal years beginning after June 30, 2023 (i.e. June 30, 2024 year-ends)
- Available on the OMB's website at:  
<https://www.whitehouse.gov/omb/office-federal-financial-management/current-compliance-supplement/>

# OMB Uniform Guidance

- Terms defined by UG:
  - SEFA
    - Schedule of Expenditures of Federal Awards
  - Federal Awards
    - Defined by Uniform Guidance *“Federal financial assistance and federal cost-reimbursement contracts that the auditee receives directly from federal awarding agencies or indirectly from pass-through entities”*
  - ALN
    - Assistance Listing Number, previously know as a CFDA number. Five-digit number separated by a period to let you know what grant program the funding is coming from

## Part 2 Matrix

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- More changes to the matrix than usual
- Changes from “Y” to a “N” or from a “N” to a “Y” since the last Supplement are shown in bold and yellow highlight
- New programs are identified as “(new)” and deleted programs are identified as “(deleted)”

## Part 3

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- Only a few changes noted to Part 3
  - Improper Payments Clarification
    - If the agency cannot determine, due to lacking or insufficient documentation, whether a payment is proper or not, the payment shall be treated as improper
  - Clarification in Equipment and Real Property management – Disposition of Real Property Acquired Under Federal Awards are relevant to all non-federal entities, including states
  - Procurement Changes – Build America Buy America Act (BABA)
    - New audit procedure – If a waiver is not in place, review the non-federal entity's documentation supporting that it monitored the contractor's compliance with BABA domestic preference provisions in the agreement.

## CSLFRF – 21.027

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- Section is broken down into two sections:
  - Section 1 – Audits of CSLFRF performed under the Uniform Guidance
  - Section 2 – An alternative compliance examination engagement for certain eligible recipients

# CSLFRF – 21.027 – Section 1

- Substantive changes made to reflect updates to the CSLFRF FAQs issued by Treasury and 2023 Interim Final Rule
  - Definition of “obligation”: entering into an order or agreement/contract that legally requires payment
  - Remember that all CSLFRF funds need to be obligated by December 31, 2024 (Money does not need to be out the door, however)
  - Three new eligible use categories
    - Provide emergency relief from natural disasters or the negative economic impacts of natural disasters
    - Use funds for Surface Transportation projects under certain programs administered by DOT
    - Use funds for project eligible under the program established in Title I projects

# CSLFRF – 21.027 – Section 1

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- Source of Governing Requirements significantly revised
  - Pay attention to this section as it includes guidance for awardees about the interplay of the various rules and FAQs that Treasury has issued
- Availability of Other Program Information section expanded to include additional resources and explanations of what they include
- Activities Allowed or Unallowed – additional details have been added to several of the broad eligible use categories about activities allowed

# CSLFRF – 21.027 – Section 1

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- Allowable Costs/Cost Principles
  - Guidance added regarding disallowable operating expenses for certain surface transportation projects
  - Clarifies that internet service provider subrecipients that received fixed amounts subaward are not required to comply with subpart E
- Matching, Level of Effort and Earmarking
  - Matching and Level of Effort are now subject to audit and detailed guidance about the requirements for each has been added
  - New earmarking requirement added for Surface Transportation and Title I projects

# CSLFRF – 21.027 – Section 1

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- Period of Performance
  - Expanded to address three new eligible uses for costs incurred and to expense the guidance addressing “obligations” for those eligible uses
- Reporting
  - Explanatory information added about the Project and Expenditure Report in the performance reporting section
  - Clarification added to the key line items in the performance reporting section related to capital expenditures
- Subrecipient Monitoring
  - Added guidance for broadband infrastructure investment projects

## CSLFRF – 21.027 – Section 2

- Alternative Compliance Examination Engagement
  - Eligibility
    - Recipient that expends \$750,000 or more in the federal awards during its fiscal year is eligible to have an auditor perform an examination engagement if:
      - The recipient's total CSLFRF award received directly from the Treasury or received as a non-entitlement unit of a local government is at or below \$10 million **AND**;
      - Other federal award funds the recipient expended (not included its direct CSLFRF award funds) are less than \$750,000 during the recipient's fiscal year.

## Disaster Grants – Public Assistance (Presidentially Declared Disasters) – 97.036

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- 2024 Compliance Supplement provides clarity on SEFA recognition (i.e. when to or when not to include on the SEFA)

## Part 5 – Other Clusters

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- Best practice is to review this part of the compliance supplement every year so when you prepare your SEFA you know which programs are still in a cluster, have a new cluster or were dropped from a cluster
- Remember that even single ALN/CFDA numbers within these clusters are required to be identified on your SEFA as a cluster, and reporting cluster is a required component of preparing your SEFA.

## Appendix IV – 2024 “Higher Risk” Programs

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- The following programs are considered “Higher Risk”
  - 93.778/93.777/93.775 – Medicaid Cluster
  - 21.023 – Emergency Rental Assistance
  - 21.027 – Coronavirus State and Local Fiscal Recovery Funds
  - 15.252 – Bipartisan Infrastructure Law (BIL) Abandoned Mine Land (AML) Grants

## Appendix IV – Programs Removed From Higher Risk List

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- 84.425 – Education Stabilization Funds
- 93.498 – Provide Relief Funds
- 21.026 – Homeowner Assistance Fund
- 21.029 – Coronavirus Capital Projects Fund
- 96.001/96.006 – Disability Insurance/Supplemental Security Income



# Common Grant Pitfalls and Best Practices

# Common Pitfalls and Best Practices

- Not having documented internal control processes/narratives or relying on an oversight agency for their review.
  - Especially important in times of high turnover
- Not fully reading the grant agreement or compliance supplement before starting a new grant program. Document your reasoning behind your conclusions if there's a judgment call.
- Not properly documenting split time & effort and payroll costs charged to a grant.

# Common Pitfalls and Best Practices

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- Retaining email(s) as documentation
  - Retention period might not be long enough to be considered appropriate documentation
- Monitoring of controls
  - Who is reviewing the control to make sure it's happening as it was originally designed?
- Make sure you have separate project codes or coding for federal/grant programs vs. other funding sources for both revenue and expenditures

# Common Pitfalls and Best Practices

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- Controls can be performed by peers, so long as they did not perform the actual process in the first place, and they have skills, knowledge and experience to review that compliance item.
- Moving expenditures from non-grant to grant funding (especially in the case of federal grants) can be tricky and requires significant documentation over that journal entry or reallocation.

## Common Pitfalls and Best Practices

- Always review the grant agreement and compliance supplement before making a judgement call on a grant decision.
- Call or notify your pass-through entity or the federal program liaison.
- If you make a judgment call, document your reasoning.
- Document anything you do in relation to a federal program decision making processes or any controls processes, even if you think they might be redundant.



Thank  
You