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2023 Single Audit Update

HFMA – Arkansas Chapter
December 14, 2023

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Meet the Presenter



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Agenda

- Uniform Grant Guidance Update
- Key information in the 2023 OMB *Compliance Supplement*
- Other single audit updates & reminders

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UNIFORM GRANT GUIDANCE UPDATE/BACKGROUND

Office of Management and Budget (OMB)

- In 2013 OMB worked with Federal agencies to revise and streamline existing guidance to develop the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Prior to that was OMB A-133 was the audit requirement.
 - Increased audit threshold from \$500,000 to \$750,000 (Schedule of Expenditures of Federal Awards – SEFA)
- OMB generally reviews the Uniform Guidance every five years
 - In 2018 revisions were made to increase some of the thresholds, audit of 6 of 12 requirements.
- Proposal published 10/5/2023
 - 60-day comment period – ended 12/4/2023
 - OMB anticipates publishing the final update in December 2023
 - Final revisions will be effective 90 days after issuance – March 2024 Tentative
 - Awards starting after effective date

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UNIFORM GRANT GUIDANCE UPDATE...

- Does not appear to be a rewrite, but changes characterized by..
 - Clarifications including terminology and application
 - Increase to thresholds, levels, etc.
 - Overall the grant rules remain largely the same
- Highlights
 - **Increasing Single Audit threshold from \$750,000 to \$1,000,000**
 - + NOTE: - this is NOT the major federal program threshold – unchanged
 - Update the definition of equipment by increasing from \$5,000 to \$10,000

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UNIFORM GRANT GUIDANCE UPDATE...

- Highlights (continued)
 - Increasing the de minimis indirect cost rate to 15% from 10%
 - + This is related to the modified total direct cost (“MTDC”)
 - + Subaward costs that can be included within MTDC increased from \$25,000 to \$50,000
 - Procurement
 - + Includes “veteran-owned business” in the types of encouraged entities (along with women-owned, minority owned, etc.)
 - + Removing prohibition on using geographic preference requirements

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How much is the new proposed single audit threshold?

- A** / \$500,000
- B** / \$750,000
- C** / \$1,000,000
- D** / \$1,250,000

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Terminology & Abbreviations

AL#	Assistance Listing Number	GAQC	Governmental Audit Quality Center
ARP	American Rescue Plan Act	GSA	General Services Administration
AT-C	Clarified Statements on Standards for Attestation Engagements	HEERF	Higher Education Emergency Relief Fund
AU-C	Clarified Auditing Sections in the Codification of Statements on Auditing Standards	HHS	U.S. Department of Health and Human Services
CARES Act	Coronavirus Aid, Relief, and Economic Security Act	HRSA	U.S. Health Resources & Services Administration
CRF	Coronavirus Relief Fund	HUD	U.S. Department of Housing and Urban Development
CRRSSA	Coronavirus Response and Relief Supplemental Appropriations Act	IIJA	Infrastructure Investment and Jobs Act (IIJA)
CSLFRF	Coronavirus State and Local Fiscal Recovery Fund	OMB	Office of Management and Budget
DCF	Data Collection Form	PRF	Provider Relief Fund
EIDL	Economic Injury Disaster Loan	PTE	Pass-Through Entity
Education or ED	U.S. Department of Education	R&D	Research and Development
ERA	Emergency Rental Assistance	SBA	Small Business Administration
ESF	Education Stabilization Fund	SEFA	Schedule of Federal Expenditures
ESSER	Elementary and School Secondary Relief Fund	SFA	Student Financial Assistance
FAC	Federal Audit Clearinghouse	SFQC	Schedule of Findings and Questioned Costs
FASB	Financial Accounting Standards Board	SVOG	Shuttered Venue Operators Grant
FCC	Federal Communications Commission	TIN	Taxpayer Identification Number
FEMA	Federal Emergency Management Agency	Transportation	U.S. Department of Transportation
FFATA	Federal Funding Accountability and Transparency Act	Treasury	U.S. Department of the Treasury
FSA	Federal Student Aid	UG	Uniform Guidance

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Compliance Supplement Sections & Titles

Table of Contents (TOC)	Appendix III, <i>Federal Agency Single Audit, Key Management Liaison, and Program Contacts</i>
Part 1, <i>Background, Purpose, and Applicability</i>	Appendix IV, <i>Internal Reference Tables</i>
Part 2, <i>Matrix of Compliance Requirements</i>	Appendix V, <i>List of Changes for the 2022 Compliance Supplement</i>
Part 3, <i>Compliance Requirements</i>	Appendix VI, <i>Program-Specific Audit Guides</i>
Part 4, <i>Agency Program Requirements</i>	Appendix VII, <i>Other Audit Advisories</i>
Part 5, <i>Cluster of Programs</i>	Appendix VIII, <i>Examinations of EBT Service Organizations</i>
Part 6, <i>Internal Control</i>	Appendix IX, <i>Compliance Supplement Core Team</i>
Part 7, <i>Guidance for Auditing Programs Not Included in This Compliance Supplement</i>	
Appendix I, <i>Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200</i>	
Appendix II, <i>Federal Agency Codification of Government-wide Requirements and Guidance for Grants and Cooperative Agreements</i>	

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What to Expect for 2023 Single Audits

COVID-19 programs continue to need auditing

- Many COVID-19 waivers expiring

IIJA funding beginning to flow

New 2023 *Compliance Supplement* with more changes than usual

- Higher risk classification continues

Increasing federal focus on oversight

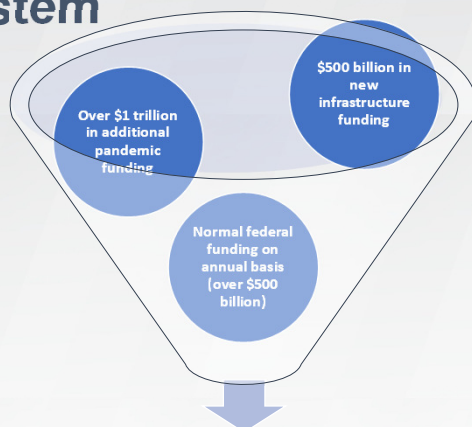
Bottom line: Stress to the single audit system



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Significant Stress Continues in “Single Audit” System



End Result: Significant Increases in Single Audits & Other Similar Compliance Audits

Year	# Single Audits*
2019	37,290
2020	39,796
2021	44,027
2022	Too early to say; likely higher than 2021 #s (as of June almost 33K already submitted)

*Above numbers do not include for-profit audits of federal funding, e.g., healthcare entities & shuttered venues, which likely would add another 10,000+ audits for 2021 & likely 2022

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Did your previous audit require a single audit?

A / Yes

B / No

C / Unsure

D / I am in attendance

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Key Changes in 2023 Compliance Supplement

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Background & Effective Date

Issued May 22, 2023

Effective for audits of fiscal years beginning after June 30, 2022

Access the Supplement on OMB's website at:
<https://www.whitehouse.gov/omb/office-federal-financial-management/>

- A single PDF file is available
- A version broken down by section is also available. The various Parts & Appendices can be accessed individually & the various agency sections in Part 4 are posted in separate files

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FR Notice
announcing
Supplement
release also
asks for
comments
by July 21,
2023

Appendix V As a Starting Point

Appendix V has historically been a very detailed roadmap of changes that we have suggested be the first stop

Appendix V in the 2023 Supplement is much less detailed than usual

- Only identifies Assistance Listing numbers with changes versus describing what changed in each program as done in prior years

Will need to do more to understand the changes made in various Parts, Appendices, & program sections



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Part 2 Matrix

Identifies changes to requirements subject to audit

- Requirements that were changed from a “Y” to a “N” or from a “N” to a “Y” since the last Supplement will be shown in bold (& highlighted in yellow) in the matrix
- New programs are identified as “NEW” & highlighted in yellow
- Decoupled programs (formerly in a cluster) also highlighted in yellow (to be discussed later)

REMINDER: 6-requirement mandate continues

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Part 3 – Procurement Changes – Build America Buy America Act

BABAA established a domestic content procurement preference for all federal financial assistance obligated for infrastructure projects after May 14, 2022

Generally, non-federal entities are informed of a requirement to comply with BABAA by federal agencies through award terms & conditions

- In some cases, waivers may have been provided
- Auditees are responsible for supporting whether waivers in place

New audit procedure to test a sample of procurement agreements for infrastructure subject to BABAA to determine whether the non-federal entity included domestic preference provisions in the agreements or obtained a waiver

For a listing of waivers by agency see <https://www.madeinamerica.gov/waivers/financial-assistance>. For a listing of waivers by category see <https://www.madeinamerica.gov/waivers>. If additional information is needed, see the agency contact found in Appendix III of Supplement.

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Part 3 – Cash Management Changes

- Revisions made to clarify the auditor’s responsibility when testing non-federal entities funded under the reimbursement method
- Previous Supplements asked the auditor to ascertain if the entity “*paid*” for *the costs* in reimbursement requests prior to the date of the reimbursement period
- OMB received feedback about a lack of clarity on the meaning of “paid” as used in the procedure
- The audit objective & related procedure have been revised to ask the auditor to ascertain if the sample of expenditures in cash drawdowns tested *were incurred prior to the date of the reimbursement request*

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Part 3 – Reporting Reminder

Performance & special reporting provisions continue in the 2023 Supplement

- Testing is only required for key line items that are quantifiable & capable of evaluations against objective criteria
- If no key line items are identified, auditor only needs to test that performance/special reports were submitted timely
- If key line items are included that are not quantifiable or have no objective criteria, auditors are not required to test

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More programs than usual revised their reporting sections in the 2023 Supplement based on prior AICPA feedback that improvements needed

2023 Higher Risk Listing in Appendix IV

Assistance Listing Number	Title
84.425*	Education Stabilization Fund
93.498*	Provider Relief Fund & American Rescue Plan (ARP) Rural Distribution
93.778/93.777/93.775**	Medicaid Cluster
21.023*	Emergency Rental Assistance
21.026*	Homeowner Assistance Fund
21.027*	Coronavirus State and Local Fiscal Recovery Fund
21.029*	Coronavirus Capital Projects Fund
15.252**	Abandoned Mine Land Reclamation (AMLR)
96.001/96.006	Disability Insurance/Supplemental Security Income

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*Supplement identifies these programs as being considered 100% COVID-19 funding or IJJA funding

**Supplement identifies these programs as being existing programs that received additional funding from one or more of the COVID-19 laws or the IJJA

Programs Removed From Higher Risk List



32.009 – Emergency Connectivity Fund Program



93.461 – Testing for the Uninsured



20.106 – Airport Improvement Program



20.500/20.507/20.525/20.526 – Federal Transit Cluster



20.315 – National Railroad Passenger Corporation Grants

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Is the Provider Relief Fund program considered to be high risk?

- A** / Yes
- B** / No
- C** / It no longer is
- D** / Unsure

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Appendix IV – “Higher Risk” Guidance – Type A Programs

“Higher risk” designation will often result in type A program being audited as major

- Even if audited in prior years and no findings
- Consider the % of COVID-19 funding or IIJA funding in the program or other cluster during the non-federal entity’s fiscal year is not material to the program or other cluster as a whole

COVID-19 funding or IIJA funding within the Research & Development (R&D) cluster does not create a “higher risk” designation for the R&D cluster

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Refer to UG subsection 200.519(c)(2) for the related guidance

Appendix states that auditors should prepare audit documentation supporting the risk considerations & conclusions for “higher risk” programs

Appendix VII – FAC Transition

The provider of the FAC will change from Census to GSA by October 1, 2023. New web address is: <https://www.fac.gov/>

Single audits with a fiscal period ending in 2023 will be submitted to the new GSA FAC beginning on October 1, 2023

Single audits with a fiscal period ending in 2022 (or earlier) should be submitted to Census FAC (<https://facweb.census.gov/>)

Appendix VII waives the 30-day aspect of submission deadline as follows

For any 2023 submissions with fiscal periods ending between January 1, 2023, and September 30, 2023, requirement 2 CFR 200.512(1) states that single audits are due to the FAC 30 days after receipt of the auditor's report(s), is waived. These audits will be considered on time if they are submitted within nine months after their fiscal period end date.

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Reminder: Auditors & auditees with earlier 2023 fiscal year-end single audits should develop policies to ensure submission occurs once the new FAC opens

Appendix VII – Other Reminders

Requirement to separately identify COVID-19 expenditures on the SEFA & DCF retained

- SEFA: on a separate line by AL# with "COVID-19" as a prefix to the program name
- DCF: on a separate row with "COVID-19" in Part II Item 1c, *Additional Award Identification*

Note that Appendix VII did not establish similar SEFA & DCF requirements for IIJA funding

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Appendix VII also states that auditors should include the COVID-19 identification for audit findings

Other Single Audit Updates & Reminders

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Can you apply for a single audit submission extension to the Federal Audit Clearinghouse?

- A) Yes
- B) No

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HIGH RISK ELEMENTS – GRANT FUNDING

- Double dipping – Allocating an expense to more than one funding stream
- Inadequate records to support to support administrative requirements related to grant funding
 - Procurement
- Documentation of internal controls
 - Review of expenses
 - Review of federal reports - documented
- Policies and Procedures
 - Do you have them?
 - Are you following them?

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PRF & Rural Distribution

- Continues as a higher risk program

- Program section updated to include
 - Addition of Reporting Period 6
 - Clarifies the amount of PRF & ARP Rural Distribution expenditures & lost revenue to be reported for Period 6
- Special Reporting
 - Revision made to remove requirement to test each cell by payer for both 2019 actuals & 2020 budget in the calculation of lost revenue

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Timing of Reporting on the SEFA for PRF (Simplistic)

Reporting Period

SEFA Date	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6
6/30/21	X					
9/30/21	X					
12/31/21	X	X				
6/30/22		X	X			
9/30/22		X	X			
12/31/22			X	X		
6/30/23				X	X	
9/30/23				X	X	
12/31/23					X	X

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PRF & ARP Rural Distribution – Other Program Changes

- PRF Website states “With the passage of the Fiscal Responsibility Act of 2023 and related rescission of program funds, no further payments will be made to providers ...”
- [Post-Payment Notice](#) updated April 7, 2023
 - Reminds providers to apply ARP Rural Distribution payments towards eligible healthcare expenses & lost revenues before using PRF payments

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Pay Attention to Pandemic Funding Waiver Expirations

National Emergency & the Public Health Emergency have ended

Many federal COVID-19 waivers were tied to these emergencies

The result? Previous waivers provided to recipients for certain compliance requirements have expired or will expire soon

- For example, HHS healthcare-related, USDA nutrition-related, HUD housing-related, ED SFA

Be alert to guidance issued by agencies on expiring waivers since will impact single audit testing

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SEFA Challenges

Out-of-Period issues

- PRF amounts reported on the SEFA align with report submissions to the PRF Reporting Portal
- ESF/HEERF & PRF allowing institutions to go back to fiscal 2020 & grab expenditures/lost revenue

Determining completeness – certain COVID funding may be handled by departments unaccustomed to federal funding

Identification of COVID-19 funding on face of SEFA

Determining when awards exist

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QUESTIONS?

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