



Deep Dive into Compliance Requirements with Federal Grants

Presented by: Corey Jennings and Keia Allen
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Acronyms

Acronym	What it stands for
UG	Uniform Guidance
OMB	Office of Management and Budget
SEFA	Schedule of Expenditures of Federal Awards
DCF	Data Collection Form
D&M	Direct and Material
GAGAS	Generally Accepted Government Auditing Standards
RMM	Risks of Material Misstatement

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Resources

Client Resources

[Title 2 U.S. Code of Federal Regulations \(CFR\) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
(Uniform Guidance)

[Office of Federal Financial Management | OMB | The White House](#) – Annual Compliance Supplements (and any addendums)
Specific grant requirements

Auditor Resources (in addition to the above)

[Yellow Book | U.S. GAO](#)

AICPA Audit and Accounting Guide – Government Auditing Standards and Single Audits – Generally updated annually

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Polling Question

Why are you here?

- Boss made me
- I love federal grants
- Needed CPE
- Other

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Single Audit

Did you think this was just for auditors?

Why do you need to have an understanding of this?

What are a health center's responsibilities under Single Audit?

Why do auditors do what they do?

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Single Audit - Basics

- Federal grant audit guide
- Covers fiscal year of entity
- Covers "federal awards"
- Triggered by designated threshold of annual expenditures of federal awards - \$750,000 fiscal years beginning January 1, 2015 & later (was \$500,000 previously)
- Contains steps your auditor should perform
- Single audit supplement is updated annually
- Describes program audit requirements
- Section: 200.508-.512 describes auditee responsibilities

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Single Audit Objectives

- Determine accuracy of financial statements
- Determine accuracy of schedule of expenditures of federal awards (SEFA)
- Assess design & operation of internal controls of organization & over federal programs
- Assess compliance with laws & regulations that could affect accuracy of financial statements
- Assess compliance with laws & regulations that could have a "direct & material effect" on major federal programs

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Single Audit Overview of Parts - Supplement

Base statute provides overall – then supplement

- Background, purpose & applicability
- Compliance matrix
 - Quick reference guide to applicable sections – not absolute
- Compliance requirements
 - Details in Uniform Grants Guidance
- Agency program requirements
 - Additional testing & clarification for specific ALNs

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Single Audit Overview of Parts - Supplement

- Clusters of programs
- Internal control – significant section for you
 - Describes grants management control environment you should be working to create
 - Examples & illustrations
- Guidance for auditing programs not included in this compliance supplement
- Appendices
 - Various resources & information on Single Audit issues

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Single Audits

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What is a Single Audit?

- Specific Audit for Federal Grants under the Uniform Guidance
- Required for entities that expend more than \$750,000 in federal awards in a single fiscal year
- Considers financial statements, internal controls, and compliance with laws and regulations surrounding the federal award
- Does not focus on the balance of accounts and is more focused on if the auditee is complying

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What is a Schedule of Expenditures of Federal Awards (SEFA)?

- Supplemental schedule to an organization's financial statements that recaps expenditures of federal funds for the fiscal year
- Key reporting package component required by Uniform Guidance
- Used to determine which programs will be audited as part of the single audit
- Provides assurance to agencies that awarded financial assistance related to their grants are included in the audit

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SEFA Requirements – (Uniform Guidance at Subpart F)

- List individual programs by federal agency
- If award is received as a subrecipient, the name and ID number assigned by the pass-through entity must be listed
- Provide total amount expended and the Assistance Listings Number for each federal award
- Include the total amount by federal award for each subrecipient
- In addition to listing the expenditures for loan programs, identify in the notes any balances outstanding at the end of the period
- Identify accounting policies used to prepare the SEFA and identify the federal agency-approved indirect cost rate used

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Single Audit – Uniform Guidance, Recipient and Subrecipient Responsibilities

- Confirm that the Single Audit is properly performed and submitted when due
- Procure the Single Audit using the procurement standards found in UG, if the Single Audit is funded with federal awards
- Prepare appropriate financial statements, including the SEFA
- Provide the auditor with appropriate documents to review
- Promptly follow up and take corrective action on audit findings

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Compliance Supplement & Requirements



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What is the Compliance Supplement?

- Issued yearly by the Office of Management and Budget (OMB)
- Tool for auditors to use when performing the Single Audit
- Outlines what auditors should look for from selected programs

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How to Navigate the Compliance Supplement

- Part 1 gives background and guidance for how to use the compliance supplement
- Part 2 is a Matrix showing which parts of each program will be audited
- Part 3 provides guidance for how each area of compliance should be audited
- Part 4 lists specific grants by Federal Assistance Listing number and outlines their specific considerations

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Compliance Supplement Part 6

- Internal control for all compliance requirements
- Suggest you review this specifically, more important now
- Overall, provides some organization-wide thoughts
 - + Control environment
 - + Risk assessment
 - + Control activities
 - + Information & communication
 - + Monitoring
- Then the compliance supplement addresses the control environment, risk assessment, control activities, information & communication, and monitoring for all of compliance requirements: reporting, procurement, etc.

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American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) Compliance Supplement (example)

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	N	Y	Y	N	Y	Y	N

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Compliance Supplement for Recipients & Subrecipients

- The compliance supplement is a valuable tool for recipients and subrecipients of federal awards
- Recipients/subrecipients can use it to:
 - Know which areas will be on the audit
 - Identify specific criteria that the auditor will be looking for in each of the areas of compliance
 - Design more effective policies and procedures

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Polling Question

What is the “common” threshold for federal funding requiring a Single audit?

- \$250,000
- \$500,000
- \$750,000
- \$1,000,000
- I don't know

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2024 Compliance Supplement

- Released May 29, 2024 – effective for audits of fiscal years beginning after June 30, 2023
- New programs:
 - **10.181**–Pandemic Relief Activities : Farm and Food Worker Relief Grant
 - **10.182**–Pandemic Relief Activities : Local Food Purchase Agreements with States, Tribes and Local Governments
 - **10.185**–Local Food for Schools Cooperative Agreement
 - **10.186**–Regional Food Business Centers
 - **10.190**–Resilient Food System Infrastructure
 - **10.331**–Gus Schumacher Nutrition Incentive Program
 - **11.028**–Connecting Minority Communities Pilot Program
 - **11.029**–Tribal Broadband Connectivity
 - **11.032**–State Digital Equity Planning and Capacity Grant
 - **11.033**–Middle Mile (Broadband) Grant
 - **11.035**–Broadband, Equity, Access and Deployment

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2024 Compliance Supplement

- New programs (cont.):
 - **20.326**–Federal-State Partnership for Intercity Passenger Rail
 - **66.957**–National Clean Investment Fund
 - **66.959**–Section 134(a)(1)–Zero Emission Technologies Grant
 - **66.960**–Clean Communities Investment Accelerator
 - **93.210/93.441**–Tribal Self Governance and Determination Cluster

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2024 Compliance Supplement

- Deleted programs:
 - **10.500**–Cooperative Extension Service
 - **10.511**–Smith-Lever 3(b) and 3(c), Smith-Lever Special Needs, and University of District of Columbia Public Postsecondary Education Reorganization Act Program
 - **10.512**–Agriculture Extension at 1890 Land-Grant Institutions Program
 - **10.514**–Expanded Food and Nutrition Education Program
 - **10.515**–Renewable Resources Extension Act (RREA) and National Focus Funds
 - **10.516**–Rural Health and Safety
 - **10.517**–Tribal College Extension Program and Special Emphasis, and Federally Recognized Tribes Extension Program
 - **10.520**–Agriculture Risk Management Education Partnership Grants
 - **10.521**–Children, Youth, and Families At-Risk
 - **10.607**–Section 416(b)
 - **14.235**–Supporting Housing Program
 - **14.238**–Shelter Plus Care
 - **93.545**–Consumer Operated and Oriented Plan (CO-OP) Program

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2024 Compliance Supplement

- Cluster Changes:
 - New cluster – Tribal Self-Governance and Determination Cluster (93.210/93.441)
 - Deleted cluster – Hurricane Sandy Relief Cluster (93.095/93.096)
 - Several clusters had programs that were removed from the cluster and therefore no longer listed as clusters as follows:
 - Community Facilities Loans and Grants (10.766/~~10.780~~)*
 - Clean Water State Revolving Fund (66.458/~~66.482~~)*
 - Drinking Water State Revolving Fund (66.468/~~66.483~~)*
 - Other clusters with program deletions:
 - Section 8 Project-Based Cluster (~~14.182~~ / 14.195 / 14.249 / 14.856)
 - Highway Safety Cluster (20.600 / ~~20.611~~ / 20.616)

* Remaining program now included as a separate program in Part 4

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2024 Compliance Supplement

- “Higher Risk” Programs:

Assistance Listing Number	Title
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

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

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

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2024 Compliance Supplement

- Programs Removed from the Higher Risk List:

Assistance Listing Number	Title
84.425	Education Stabilization Fund
93.498	Provider Relief Fund
21.026	Homeowner Assistance Fund
21.029	Coronavirus Capital Projects Fund
96.001 / 96.006	Disability Insurance / Supplemental Security Income

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2024 Compliance Supplement

- Uniform Guidance Revisions
 - New section that clarifies the effective date of the increase in the Single Audit threshold to \$1 million
 - Effective date threshold increase is for auditee fiscal years beginning on or after October 1, 2024 (that is, fiscal year ends September 30, 2025 and later)
 - Although Appendix VII is silent, it is our understanding that this same effective date applies to increase in the Type A threshold to \$1 million

- Other Reminders
 - Requirement to separately identify COVID-19 expenditures on the SEFA and DCF
 - Note that Appendix VII did not establish similar SEFA/DCF requirements for the IJA funding

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Polling Question

The 2024 compliance supplement is effective for:

- June 30, 2024 to May 31, 2025 year ends
- Any 2024 year ends
- Other
- I don't know

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Single Audit - Auditees

- Auditee Responsibilities - .508
 - Procure in accordance with .509
 - Prepare appropriate financial statements & SEFA – .510
 - Follow up & take corrective action on audit findings – .511
 - Provide auditor with access to personnel & records so they can complete the single audit

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Single Audit - Auditees

- Section .509 governs auditor selection
- “When procuring audit services, the objective is to obtain high-quality audits”
- “Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer & external quality control reviews, & price”

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Single Audit - Auditees

- Financial statements – .510
 - Prepare financial statements for audited fiscal period & single audit period should match audit period
 - Prepare schedule of expenditures of federal awards (SEFA) – include following information
 - Individual federal programs by individual agency
 - If subrecipient, name pass-through entity & identifying number
 - Total federal awards expended for each program by Assistance Listings Number (No longer called CFDA#)
 - Total amounts provided to subrecipients
 - Identify loan & loan guarantee & balances outstanding
 - Notes describing significant accounting policies & de minimis cost rate (10%) – 200.414

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Single Audit - Auditees

- Audit findings follow-up – .511
 - Follow-up & corrective actions on all audit findings
 - See findings description .516
- Summary of prior audit findings shall report following
 - Status – was finding corrected?
 - If not fully corrected, describe planned corrective action & if corrective action was significantly different than originally described, provide explanation

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Single Audit - Auditees

- Audit findings follow-up
 - If auditee believes findings are no longer valid, reason should be described. Examples:
 - + Two years have passed since finding issued
 - + Federal agency is not currently following up
 - + Management decision was not issued
- Corrective action plan (CAP) should include following
 - + Name(s) of contact person(s) responsible for CAP
 - + Corrective action planned
 - + Anticipated completion date
 - + If disagree with finding, explain & give specific reasons

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Uniform Grant Guidance

Section 200.512 requires that Single Audit Reports be published online – therefore Single Audit Reports will be made public

This section also requires that requests for management letters from the granting agency or a pass-through entity be honored by the grantee

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Single Audit - Auditees

Report submission - .512

- Due 30 days after receipt from auditor or nine months & available for public inspection (unless by federal statute)
- Data collection form should be submitted & include all necessary components – see electronic form
- Reporting package includes financial statements, summary of prior audit findings, auditor's reports & CAP
- Submission to FAC – electronically
- Submit management letters upon request to federal agency or pass-through entity
- See other terms f-h

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Data Collection Form

Method of submitting your audit & results – electronic

Parts of data collection form – SF-SAC

- Identification & signature information
- Financial statement – GAS key information
- Single audit results – overall grant findings, etc.
- SEFA – specific programs tested & results
- Additional EINs, UEIs & DUNS

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Audit Report Components

- Schedule of Federal Awards
- Subrecipients
- Government auditing standards opinion letter
- Single audit opinion letter
- Summary of auditor's results
 - Mirrors data collection form
- Schedule of findings & questioned costs
- Prior audit findings

Audit Requirements

Thresholds

Overall \$750,000 or more requires a Single audit – .501
 Program specific – .518

- Type A \$750,000
- Type A or .03% of federal awards which is \$100 million
- Type B exceed 25% of Type A, risk factors & coverage necessary

Audit coverage of federal funds

- 40% if high risk
- 20% if low risk
- Low or high risk based on historical audit results

Polling Question

How much federal funding does your organization receive each year?

- Less than \$1,000,000
- \$1,000,000 to \$3,000,000
- More than \$3,000,000
- I don't know

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Control & Compliance Requirements

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Compliance Requirements Versus Internal Controls Over Compliance

Compliance

The Requirements listed in the compliance supplement (ex. allowable costs, eligibility, etc.)

Things that are required to be done per the regulations/grant agreement

Internal Controls

Controls in place to make sure each compliance requirement is met (ex. adequate segregation of duties in review and authorization of costs, computations checked for accuracy, etc.)

Designed to prevent or detect and correct instances of noncompliance

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What the Auditors are Looking for

Compliance

Whether you did what you were required to do (complied with the compliance requirements)

Internal Controls

Whether controls are effective and operating as designed

Tip: Provide evidence that controls are in place (Show sign offs that two or more people were involved with key controls)

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Audit Compliance Requirements

Activities Allowed or Unallowed – Subpart E

Allowable Costs/Cost Principles – Subpart E

Cash Management – Subpart D 200.305

Davis-Bacon Act – see Department of Labor website

Eligibility – see grant award & terms

Equipment & Real Property Mgmt. – Subpart D 200.311-6

Matching, Level of Effort, Earmarking – Subpart E

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Audit Compliance Requirements

Period of Availability of Federal Funds – Subpart D 200.309

Procurement & Suspension & Debarment – Subpart D 200.311-6

Program Income – Subpart D 200.307

Real Property Acquisition & Relocation Assistance – Subpart D 200.311-6

Reporting – Subpart D 200.328

Subrecipient Monitoring – Single audit see Section M

Special Test & Provisions – grant award & compliance supplement

Obviously, review all rules & grant agreement terms

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Compliance Requirements

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
A	Activities Allowed or Unallowed	This type of compliance requirement specifies the activities that can or cannot be funded under a specific program. The specific requirements for activities allowed or unallowed are unique to each federal program and are found in the laws, regulations and the provisions of contract or grant agreements pertaining to the program.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
B	Allowable Costs / Cost Principles	This type of compliance requirement specifies whether costs charged to the federal program are allowable in accordance with the applicable OMB cost principles circulars. The circulars describe selected cost items, allowable and unallowable costs and standard methodologies for calculating indirect cost rates. The cost principles in the three OMB cost principles circulars are in most cases substantially identical, but a few differences do exist. These differences are necessary because of the nature of the federal/state/local/nonprofit organizational structures, programs administered and breadth of services offered by some grantees and not others.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
C	Cash Management	This type of compliance requirement specifies that federal funds must be expended in a timely manner. When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
E	Eligibility	This compliance requirement specifies the criteria for determining the individuals, groups of individuals or subrecipients that can participate in the program and the amounts for which they qualify. The specific requirements for eligibility are unique to each federal program and are found in the laws, regulations and the provisions of contract or grant agreements pertaining to the program.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
F	Equipment and Real Property Management	This type of compliance requirement specifies the requirements applicable to acquisition, inventory and disposition of equipment and real property. Title to equipment and real property acquired by a nonfederal entity with federal awards vests with the nonfederal entity. Requirements differ slightly among different types of entities. Equipment records must be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment and equipment shall be adequately maintained. Disposition of equipment and real property must be done under specific guidelines.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
G	Matching, Level of Effort, Earmarking	Matching, level of effort and earmarking are defined as follows: <ol style="list-style-type: none"> 1. Matching or cost sharing includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions. 2. Level of effort includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from nonfederal or federal sources for specified activities to be maintained from period to period, and (c) federal funds to supplement and not supplant nonfederal funding of services. 3. Earmarking includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
H	Period of Performance	Federal awards may specify a time period during which the nonfederal entity may use the federal funds. Where a funding period is specified, a nonfederal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding agency. Also, if authorized by the federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Nonfederal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation).

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
I	Procurement Suspension & Debarment	This type of compliance requirement specifies policies that must be followed for procurements using federal funds. Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
J	Program Income	This type of compliance requirement specifies that program income from federally funded projects be properly identified and used. Program income is gross income received that is directly generated by the federally funded project during the grant period. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement and payments of principal and interest on loans made with grant funds. Program income may be used in one of three methods: deducted from outlays, added to the project budget or used to meet matching requirements.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
L	Reporting	This type of compliance requirement specifies the requirements applicable to financial, program and special reporting applicable to federal award programs. While some reports are standard across programs, many programs have unique reports applicable only to that program.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
M	Subrecipient Monitoring	This type of compliance requirement specifies requirements for pre-award and during the award interactions between a pass-through entity and its subrecipients. Such requirements include award identification, during the award monitoring and review of subrecipient audits. Pass-through entities must also evaluate the impact of subrecipient activities on its own ability to comply with applicable federal regulations.

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Compliance Requirements (Continued)

Note – all compliance requirements are further discussed in more detail in the Compliance Supplement, Part 3.

Letter Reference	Compliance Requirement	Summary
N	Special Tests and Provisions	This type of compliance requirement is unique to each federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements relating to the program.

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Activities Allowed or Unallowed (A) & Allowable Costs/Cost Principles (B)

- Compliance Requirement
 - A - specifies the activities that can or cannot be funded under a specific program. The specific requirements for activities allowed or unallowed are unique to each federal program and are found in the laws, regulations and the provisions of contract or grant agreements pertaining to the program.
 - B - specifies whether costs charged to the federal program are allowable in accordance with the applicable OMB cost principles circulars. The circulars describe selected cost items, allowable and unallowable costs and standard methodologies for calculating indirect cost rates. The cost principles in the three OMB cost principles circulars are in most cases substantially identical, but a few differences do exist. These differences are necessary because of the nature of the federal/state/local/nonprofit organizational structures, programs administered and breadth of services offered by some grantees and not others.
- Control Objectives
 - Provide reasonable assurance that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles

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Activities Allowed or Unallowed & Allowable Costs/Cost Principles Continued

- Control Examples
 - Manager must sign off on invoice to indicate approval of expenditure
 - Training programs for grant staff
- Illustrative Specific Controls Compliance Supplement Part 6 – Appendix 2
- Common Control Findings and Exceptions
 - Absence of evidence of review and approval of payroll (timesheets approved by direct supervisor with knowledge of the program) and nonpayroll expenditures (invoices)
 - Oral representation that you performed review of the transactions is not audit evidence of control
 - Unreconciled SEFA is an indication of control deficiency over SEFA preparation and potentially an activities allowed or unallowable finding

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Period of Performance (H)

- Compliance Requirement
 - Federal awards may specify a time period during which the nonfederal entity may use the federal funds. Where a funding period is specified, a nonfederal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding agency. Also, if authorized by the federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Nonfederal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation).
- Control Objectives
 - Provide reasonable assurance that federal funds are used only during the authorized period of availability
- Control Examples
 - Manager must review expenditures immediately before and after grant cut-off date to ensure compliance
 - Manager approval of expenditures to ensure it is within period of performance
- Illustrative Specific Controls: Compliance Supplement Part 6 – Appendix 2

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Period of Performance Continued

- Common Control Findings and Exceptions
 - Lack of process/control over review of expenditures on the SEFA schedule and matching it up to the point of purchase of the respective grants/contracts
- Oral representation that you performed review of the transactions is not audit evidence of control

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Procurement, Suspension, & Debarment (I)

- Compliance Requirement
 - specifies policies that must be followed for procurements using federal funds. Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.
- Control Objectives
 - Provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of Uniform Guidance as applicable, and that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party
- Control Examples
 - Formalized Procurement Policy
 - Maintain a screenshot or printout of the System for Award Management (SAM) exclusions in file
 - Maintain a federal award checklist with formal documentation of such review and other award related information
 - On a rotating basis, select federal award transactions to confirm item aligns with procurement policy and contractor/vendor was reviewed for suspension/debarment

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Procurement, Suspension, & Debarment Continued

- Common Control Findings and Exceptions
 - Did not have an updated policies and procedures to comply with the Uniform Guidance standards
 - Did not maintain a written policy regarding conflict of interest that addresses how employees with conflicts should be excluded from the procurement process
 - Using higher thresholds when compared to entity's procurement policy (if thresholds in the procurement policy are lower than what is allowed per the Uniform Guidance then the organization is required to adhere to lower thresholds)
 - Absence of evidence of approval for procurement decisions
 - Disbursements were made before the actual contract was signed
- Contract procurement versus subrecipient monitoring and management

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Reporting (L)

- Compliance Requirement
 - specifies the requirements applicable to financial, program and special reporting applicable to federal award programs. While some reports are standard across programs, many programs have unique reports applicable only to that program.
- Control Objectives
 - Provide reasonable assurance that reports of federal awards submitted to the federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements
- Control Examples
 - Manager must sign off as approving the report
 - Tracking system in place to remind staff when reports are due and who is responsible for preparing the reports
- Illustrative Specific Controls: Compliance Supplement Part 6 – Appendix 2

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Reporting Continued

- Common Control Findings and Exceptions
- Absence of evidence of review and approval prior to reports being submitted to the federal grantor(s) and/or pass-through entities
- Oral representation that you performed review of the transactions is not audit evidence of control
- Failure to file the required reports and/or "after the fact submission" can be indicators of control issues
- Unreconciled and/or incomplete supporting documentation can be indicators of control issues

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Polling Question

What compliance requirement worries you the most?

- Procurement
- Reporting
- Eligibility
- Unsure

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Direct and Material Compliance Requirements

- Compliance Supplement Part 4 identifies compliance requirements for specified programs
- Compliance Supplement Part 5 identifies compliance requirements for specified clusters
- If major program isn't listed, follow Part 7 (all compliance requirements evaluated for whether they are direct and material)
- Consider if there have been changes to the compliance requirements and the changes are not reflected in the compliance supplement. If so, the auditor must determine the current compliance requirements and modify the audit procedures accordingly (more common during COVID)
- **Not all compliance requirements have to be direct and material - determined on a per-entity, per-contract, basis**

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Subrecipients & Reporting

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Subrecipient & Contractor Determination [200.332](#)

Are you partnering with or hiring?

Subrecipient characteristics (a)

- Determines who is eligible to receive which federal funds
- Performance is measured against objectives of federal program
- Responsibility for programmatic decision-making
- Responsible for adherence to applicable federal program
- Uses federal funds to carry out a program of organization as compared to providing goods or services

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Subrecipient & Contractor Determination 200.332

Contractor characteristics (b)

- Provides goods & services within normal business operations
- Provides similar goods or services to many different purchasers
- Operates in a competitive environment
- Provides goods or services ancillary to operation of federal program
- Is not subject to compliance requirements of program
- Ensure both parties have same understanding

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Subrecipient & Contractor Determination 200.332

Use judgment in making determination

- Consider unusual circumstances or exceptions
- Substance is more important than the form
- Not all characteristics will be present, use judgment

For-profit subrecipients

- Grantee responsible for establishing requirement necessary to ensure compliance by for-profit

No compliance responsibility for vendors

- Organization just follows regulations if using federal funds

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Federal Financial Accountability & Transparency Act – FFATA

**Prime grant recipient
awarded a federal grant
> \$25,000 – funding to
subrecipient**

Prime awardee is required to file a FFATA subaward report by end of month following month in which prime recipient awards any subgrant > \$25,000

**Executive compensation
reporting not required**

Threshold is 80% of its gross revenues from federal funds & \$25,000,000 in federal awards

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Federal Financial Accountability & Transparency Act – FFATA

File report – FRS login online to file

- Information to include (see electronic form)
 - Name of entity receiving award
 - Amount of award (obligated amount)
 - Funding agency
 - ALN for grants
 - Program source
 - Award title descriptive of purpose of funding action
 - Unique identifier of entity & its parent
 - Place of performance

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Federal Financial Accountability & Transparency Act – FFATA

Accurately define vendor & subrecipients

Identify the subrecipient agreements & the federal funds passed through when > \$25,000

Note the timing & due date of the reporting – when awarded & not at the end of the fiscal period

Information/Links

- <https://www.fsrs.gov/>
- <https://www.hrsa.gov/grants/ffata.html>

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Reporting & Audit Findings



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Reporting

- Two opinions provided for Single Audits – one under Government Auditing Standards (GAGAS) and one for compliance under Uniform Guidance
- Government Auditing Standards report is primarily focused on financial reporting

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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Reporting (Continued)

- Uniform Guidance report is focused on compliance

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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Internal Control Reporting

	Internal Control over Financial Reporting	Internal Control over Compliance
Material Weakness	GAGAS Report	Uniform Guidance Report
Significant Deficiency	GAGAS Report	Uniform Guidance Report
Deficiency	Not reported in the opinion	Not reported in the opinion

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Compliance Reporting

	Type of Opinion
Material Instance of Noncompliance	Qualified or Adverse Opinion on Compliance and referenced to Schedule of Findings and Questioned Costs
Other Instances of Noncompliance	Unmodified, but referenced to Schedule of Findings and Questioned Costs

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Audit Findings – Subpart F Section .516

- Types of findings
 - GAGAS is essentially related to internal control over financial reporting for organization
 - Single audit, which can be either
 - + Internal control over compliance
 - + Program compliance

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Audit Findings – Subpart F Section .516

Thresholds for Findings

GAGAS – see professional standards for deficiencies & material weaknesses over internal control

Single Audit noncompliance

- Material error rate or amount on a compliance requirement
- Questioned costs > \$25,000
 - Auditor must report if known, even if program is not audited

Single Audit internal control

- Organizational controls failed when tested
 - Noncompliance error rate reveals controls failed
- Known fraud affecting a federal award

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Audit Findings per *Government Auditing Standards*

- Significant deficiencies and material weaknesses in internal control over financial reporting
- Noncompliance and fraud when auditors identify or suspect (based on sufficient, appropriate evidence):
 - Noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the financial statements, OR
 - Fraud that is material, either quantitatively or qualitatively to the financial statements as a whole.

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Finding Structure for GAGAS Reporting

- Criteria – the required or desired state or expectation with respect to the program or operations
 - (What are they supposed to do?)
- Condition – the situation that exists
 - (What did they do that is contrary to what they are supposed to do?)
- Cause – the factor or factors responsible for the difference between the condition and the criteria
 - (Why did it happen?)
- Effect or potential effect – the outcome or consequences resulting from the difference between the condition and the criteria
 - (Because of the situation, what errors, fraud and/or noncompliance could happen?)
- Views of responsible officials and planned corrective actions** –
 - (What does management say about it?)

**This should be obtained from the client. If provided from the client verbally, the auditor should provide a copy of the summary prior to report issuance to make sure they are in agreement

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Example

- Criteria – The Organization must develop an internal control structure that produces financial reporting under generally accepted accounting principles (GAAP)
- Condition – The Organization’s finance department consists of one individual who operates without direct oversight of their work.
- Cause – The Organization has not designed internal controls over financial reporting to provide appropriate oversight of the validity of transactions and appropriate financial reporting.
- Effect or potential effect – Multiple journal entries in significant amounts were posted during the audit to align the financial reporting to GAAP. In addition, a lack of oversight could allow the individual to misappropriate funds or misstate financial reporting.
- Views of responsible officials and planned corrective actions – The Organization agrees and will develop additional internal controls for oversight.

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Audit Findings per Uniform Guidance (2 CFR 200.516(a))

- Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs
- Material noncompliance with the provisions of Federal statutes, regulations or the terms and conditions of Federal awards related to a major program
- Known or likely questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program
- Known questioned costs that are greater than \$25,000 for a Federal program not audited as a major program

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Audit Findings per Uniform Guidance (2 CFR 200.516(a)) (Continued)

- Circumstances why the auditor's report on compliance for each major program is other than a modified opinion unless otherwise reported as an audit finding
- Known or likely fraud affecting a Federal award, unless otherwise reported as an audit finding
- Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding

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Finding Structure for UG Reporting

- Finding Number
- Prescribed syntax – fiscal year-00X (Example 2023-001)
- Information on the federal program and federal specific award, including –
 - The Assistance Listing program title and number;
 - The federal award identification number and year
 - The name of the federal agency
 - The name of the applicable pass-through entity
- Criteria or Specific Requirement– (What are they supposed to do?), including –
 - Federal statues, regulations or the terms and conditions of the federal award
- Condition – the situation that exists (What did they do that is contrary to what they are supposed to do?), including –
 - Facts that support the deficiency identified
- Cause – the factor or factors responsible for the difference between the condition and the criteria (Why did the condition occur?) (Note that this can also serve as the basis for recommendations for corrective action)

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Finding Structure for UG Reporting (Continued)

- Effect or potential effect – the outcome or consequences resulting from the difference between the condition and the criteria (Because of the situation, what errors, fraud and/or noncompliance could occur?)
- A state of the effect or potential effect should provide a clear local link to establish the impact or potential impact of the difference between the condition and the criteria
- Questioned costs – identification and how they were computed. Known questioned costs must be separated by applicable Assistance Listing number(s) and applicable federal award identification number(s)
- Information to provide perspective for judging the prevalence and consequences of the audit findings (for example, whether the audit findings represent an isolated instance or a systemic problem). When appropriate, the instances identified must be related to the universe and the number of cases examined and be quantified in terms of the dollar value. The auditor should report whether the sampling was a statistically valid sample.
- Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and, if so, any applicable prior year audit finding numbers
- Recommendations to prevent future occurrences of the deficiency identified in the audit finding
- Views of Responsible Officials – (What is the entity's response to the auditor's findings?) (This should be obtained from the client. If provided from the client verbally, the auditor should provide a copy of the summary prior to report issuance to make sure they are in agreement) –
- Should be reported separately from the Corrective Action Plan but can refer to it as long as it indicates whether management agrees with the finding or not.

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Polling Question

Which of the following is required to be reported as a finding?

- Significant deficiency in the financial statement audit
- Compliance error with questioned costs greater than \$25,000
- Material weakness in the financial statement audit
- All the above
- None of the above

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Independence Requirements

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Independence Requirements

- See Chapter 3 of Government Accountability Office (GAO) produced Government Auditing Standards
- Current rules established for periods ending December 31, 2012, forward
- Auditor must be independent
- Independence in mind & appearance

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Independence Requirements

Independence

- Independence required for audit only
- Evaluate other services that fall within financial statement period
- Two categories
 - Routine services: do not jeopardize independence
 - Non-routine services: require facts & circumstances evaluation

GAGAS' practical consideration

- Based on facts & circumstances that are often unique

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Independence Requirements

Routine activities

- Providing advice on accounting matters related to financial statement audit or routine business matters
- Researching & responding to relevant tax issues as part of providing tax services
- Educating on matters within technical expertise of auditors
- Providing information on best practices, benchmarks, etc.

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Independence Requirements

Non-routine activities – e.g., not routine items listed

- Does activity pose a threat to independence?
 - Management participation threat – sufficient auditee involvement
 - Self-review threat – Is auditor reviewing own work?
 - Other issues & considering how significant threat is
- What are safeguards in place?
 - Management's involvement & ability to review & monitor project
 - Separation of audit personnel
 - An independent review process

Discuss issue & understand responsibilities

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Questions?



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Contact

Forvis Mazars

Keia Allen, CPA
Manager
P: 501.999.0478
Keia.allen@us.forvismazars.com

Corey Jennings, CPA
Partner
P: 501.954.6315
Corey.jennings@us.forvismazars.com

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