

# Single Audit Readiness and Survival

Presented by Bob Lloyd

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# Bob Lloyd

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**Bob Lloyd is a respected authority on policies and practices affecting the award, administration and oversight of federal grants, contracts and subawards. He has nearly 40 years of experience in federal award implementation. Prior to starting his management consulting practice, he served as the executive director of the Grants Management Advisory Service and held staff positions in two large federally funded organizations. He has been a consultant, trainer or advisor to award and audit units in sixteen federal award-making departments and agencies, and to recipient and subrecipient organizations and their professional advisors. He is the principal author of *A Guide to OMB Grant Reform* and several other reference works on federal grants management and audits.**



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# **NADO Federal Grants Management Webinar Series**

- **September 11: Single Audit Readiness and Survival**
- **September 26: Federal Grant Cost Allowability 101**
- **October 2: Indirect Cost Recovery for RDO's**
- **October 9: Procuring Goods & Services with Federal Funds**

# The Single Audit Requirement

- **Single Audit Act of 1984 (as amended)**
  - **OMB authority to issue “policies, procedures, and guidelines”**
- **Implementation**
  - **OMB Circular A-128 (1985)—State and local governments only**
  - **OMB Circular A-133 (1990)—Nonprofit organizations only**
  - **OMB Circular A-133 (Revised) (1997)—Governments and nonprofits; threshold change**
  - **2 CFR 200, Subpart F (2014)—Consolidation with other grants management policies; threshold change**
  - **2 CFR 200 Revision (2024)—Threshold change**

# Key Provisions and Policies

- **Federal agency authority to audit and investigate**
  - **Inspector General Act of 1978 (as amended)**
- **Federal agency required reliance on non-federal audits**
- **Applicable auditing standards**
  - **GAGAS—Issued by the Government Accountability Office (GAO)**
  - **GAAS—Issued by the Auditing Standards Board (AICPA)**
- **Annual audits covering the non-federal entity's fiscal year**
- **Procurement of audit services by non-federal entity (2 CFR 200.509)**
- **Cost allowability of audit services (2 CFR 200.425)**

# Role of Single Audit Reports

- **Federal agency risk assessment for new awards (2 CFR 200.205)**
- **Pass-through entity risk assessment (2 CFR 200.332(b))**
- **Subrecipient monitoring by pass-through (2 CFR 200.332(f))**
- **Determining low-risk auditee status (2 CFR 200.520)**
- **"Clean audit" reward of greater procurement flexibility (2 CFR 200.320(a))**



# Single Audit Terminology: Who Does What?

- **Non-federal entity**
- **Federal awarding agency**
- **Pass-through entity**
- **Cognizant agency for audit**
- **Oversight agency for audit**
- **Independent auditor**



# Increasing the Expenditure Threshold

- **1984 (\$25,000 Received)**
- **1996 (\$300,000 Expended)**
- **2004 (\$500,000 Expended)**
- **2015 (\$750,000 Expended)**
- **2024 (\$1,000,000 Expended)**



# Procurement of Audit Services

- **2 CFR 200.509**
  
- **Applicable Procurement Standards (2 CFR 200.318-327)**
  - **Solicitation of SBE, MBE, WBE Encouraged**
  - **Restriction: Firms That Prepared IDC Proposal**
  
- **Request for Proposals (RFP)**
  - **Criteria for Selection**
    - **Responsiveness to the RFP**
    - **Relevant Experience**
    - **Availability of Qualified Staff**
    - **Results of Peer Review**
    - **Price**

# The Contract for Audit Services

- **Required Submission to Auditee: Auditor's Most Recent Peer Review Report**
- **Auditor's Engagement Letter**
- **Auditee's Contract**
  - **Roles and Responsibilities**
  - **Duration**
  - **Required Clauses (2 CFR 200, Appendix II)**
  - **Handling of Substandard Performance**
  - **Termination Provision**

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# Audit Scope

- **Accuracy of Financial Statements**
  - **Schedule of Expenditures of Federal Awards (SEFA)**
    - **Required Information (2 CFR 200.510(b))**
  - **Presented in Accordance with Generally Accepted Accounting Principles (GAAP)**
  
- **Design and Operation of Internal Controls**
  
- **Compliance with Laws, Regulations, and Award Terms**
  - **“Direct and Material Effect”**

# Design & Operations of Internal Controls

## ➤ Elements of Internal Control

- **Control Environment**
- **Risk Assessment**
- **Control Activities**
- **Information and Communication**
- **Monitoring**

# Internal Control Resources

- ***Standards for Internal Control in the Federal Government, Government Accountability Office (GAO)***
  - **Known as "The Green Book"**
- ***Internal Control: Integrated Framework, Committee of Sponsoring Organizations (COSO), The Treadway Commission***
- ***Part 6, Internal Control, Compliance Supplement, Office of Management and Budget (OMB)***

# Mandated Auditee Policies & Procedures

- **Financial Management Standards (2 CFR 200.302)**
  - **Written Cash Management and Cost Allowability Procedures**
  
- **Written Procedures to Align with Procurement Standards (2 CFR 318-327)**
  
- **Procedures to Align with Property Management Standards (2 CFR 200.310-316)**
  
- **Records Retention and Access Procedures (2 CFR 200.334-337)**





# OMB's Compliance Supplement

- *Part 2, Matrix of Compliance Requirements*
- *Part 3, Compliance Requirements*
- *Part 4, Program Compliance Requirements*
- *Part 5, Clusters of Programs*
- *Part 6, Internal Control*
- *Part 7, Audit Advisories*

# Selected Compliance Requirements

- **Activities Allowed**
- **Allowable Cost/Cost Principles**
- **Cash Management**
- **Eligibility**
- **Matching/Cost Sharing**
  - **Level of Effort**
  - **Earmarking**
- **Period of Performance**

# Selected Compliance Requirements

- **Period of Performance**
- **Procurement**
  - **Suspension and Debarment**
- **Program Income**
- **Reporting**
- **Subrecipient Monitoring**
- **Special Tests and Provisions**

# **“Inside” a Compliance Requirement**

- **Program Description**
- **Audit Objectives**
- **Compliance Requirements (with Citations)**
- **Suggested Audit Procedures**
  - **Logical Steps**
  - **Documentation to be Reviewed**

# The Contract for Audit Services

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# Managing the Audit Process

- **Audit Liaison**
- **Management Representations**
- **Auditor's Requests for Information**
- **Entrance Conference**
- **Monitoring of Field Work**
  - **Response to Inquiries**
- **Exit Conference**
- **Draft Report**
- **Final Report**
- **Management Response**

# Auditor's Determination of Major Programs

- **Dollar Size (2 CFR 200.518)**
  
- **Assessment of Risk (2 CFR 200.519)**
  - **Current and Prior Audit Experience**
  - **Oversight Exercised by Federal Agencies and Pass-through Entities**
  - **Inherent Risk**
    - **Nature of the Program**
    - **Phase of the Program**
  
- **Criteria for a Low-risk Auditee**
  - **Advantages**

# The Audit Reporting Package

- **Data Collection Form (SF-SAC)**
- **Financial Statements**
- **Auditor's Opinions and Reports**
  - **Financial Statements and SEFA**
  - **Internal Control**
  - **Compliance**
  - **Findings and Questioned Costs**
- **Summary Schedule of Prior Audit Findings**
- **Corrective Action Plan**



# Report Submission

- **Audit Reporting Package Submission to Federal Audit Clearinghouse (FAC)**
- **Timing**
  - **Within nine months after the close of the auditee fiscal year or**
  - **Within 30 days after receipt by auditee**
  - **Possible extension**
- **Federal awarding agencies and pass-through entities must obtain reports from FAC (2 CFR 200.512(b))**
- **Awarding agencies may obtain management letters**

# "Anatomy" of an Audit Finding

- **Federal Program and Award Information**
- **Criteria (Requirement or Standard)**
- **Condition Found**
- **Statement of Cause**
- **Possible Asserted Effect**
- **Questioned Costs**
  - **Known or likely**
- **Perspective (Isolated Incident /Systemic Problem?)**
- **Repeat Finding?**
- **Recommendation to Prevent Recurrence**
- **Views of Management**

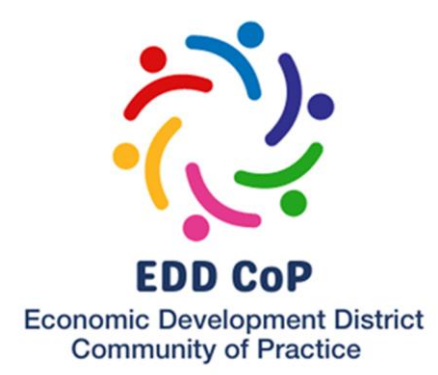
# Audit Resolution

- **Locus of Responsibility**
  - **Direct recipients**
  - **Subrecipients**
  
- **Management Decision (2 CFR 200.521)**
  - **Audit finding**
  - **Awarding agency determination**
  - **Required auditee action**
    - **Repay disallowed costs**
    - **Take other corrective action**



# NEW ORLEANS, LOUISIANA

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