

Taking the Surprise Out of Single Audits

Tips and Tools for preparing for your Single Audit



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December 1, 2016



Learning Objectives

- Provide a brief background on some of the key changes under the new Uniform Guidance and the new State Single Audit Guide
- Provide you with some tips that can be used to help prepare for your single audit
- Provide you with some tools that can be used to as you prepare for your single audit
- Provide some tips for addressing a finding resulting from you single audit
- Have an opportunity to ask questions of our panelists

Uniform Grant Guidance

Key Concepts

Uniform Guidance

- The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – referred to as the “Omni Circular” or “Super Circular”
- Consolidated and streamlines eight previous federal regulations into comprehensive guidance codified at 2 CFR Part 200 (Subparts A – F)

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Uniform Guidance

- Objectives of the new Guidance
 1. Eliminate duplication and conflicting guidance
 2. Focus on performance over compliance for accountability
 3. Encourage efficient use of IT and shared services
 4. Provide for consistent and transparent treatment of costs
 5. Limit allowable costs to make best use of federal funds
 6. Set standard business processes using data definitions
 7. Encourage non-federal entities to have family-friendly policies
 8. Strengthen oversight
 9. Target audit requirements on risk of waste, fraud, and abuse

Effective Dates

- The new rules apply Federal awards with:
 - new awards made after 12/26/14
 - for agencies that consider incremental funding actions on previously made awards to be opportunities to change award terms and conditions, the first funding increment issued on or after 12/26/14.
- Subpart F, Audit Requirements, apply to audits of the fiscal years of non-federal entities that began on or after December 26, 2014.

Effective Dates

- Non-Federal entities wishing to implement entity-wide system changes to comply with the Uniform Guidance after the effective date of December 26, 2014 will not be penalized for doing so.
- These changes would impact their existing/older awards.
- For agency incremental funding actions that are subject to the Uniform Guidance, non-Federal entities are not obligated to segregate or otherwise track old funds and new funds but may do so at their discretion

Subpart C - Pre-Award Requirements

Grant Awarding Process

- Standardization of information
 - Public notice for grants through CFDA and must include 7 data points
 - Federal awards must include 15 uniform data sets including timing and scope, expected performance and outcome
- Funding opportunities available for at least 60 calendar days on the OMB-designated government wide
- Risk analysis of potential grantees

Fixed-Price Awards

- Funder provides specific level of support without regard to actual costs
- Cannot be more than Simplified Acquisition Threshold (currently \$150,000)
- Can be used when there is a specific project scope and adequate cost, historical or unit price data is available to assure that the recipient or subrecipient will realize no increment above actual cost

Subpart D - Administrative Requirements

Internal Controls (200.303)

- Requirements are highlighted in Uniform Guidance as extremely important
- Organizations must establish and maintain effective internal controls over federal awards to provide reasonable assurance that awards are being managed in compliance with laws and regulations.
- *Internal Control Framework issued by the Committee on Sponsoring Organizations (COSO) and the Standards for Internal Control in the Federal Government (Green Book) issued by the Comptroller General*

Property Standards (200.310 – 316)

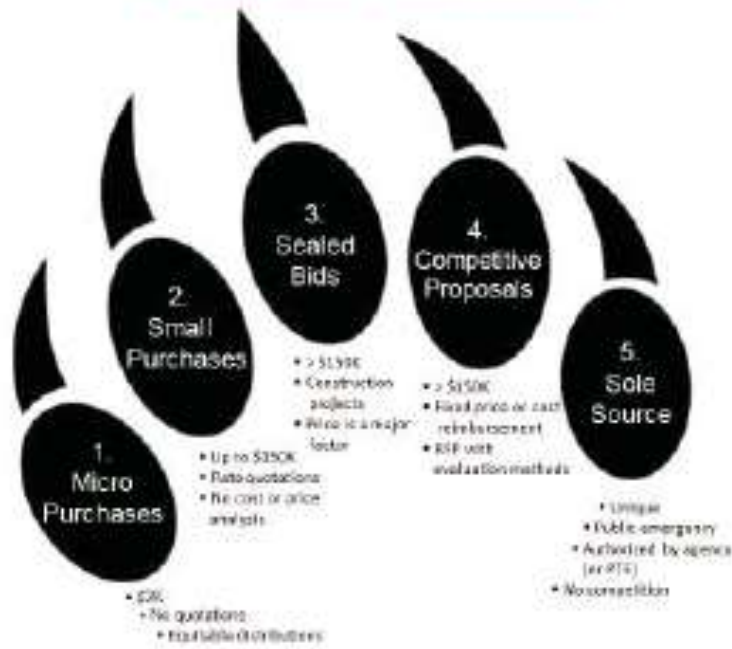
- Property records maintained that include required information, including description, source, ID number, disposition information.
- physical inventory of the property taken and the results reconciled with the property records at least once every two years
- control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property and adequately maintain assets

Procurement (200.317-326)

- Expanded from current administrative requirements
- Competition is stressed
 - 1 paragraph to 1 page
- Grace period of two full fiscal years

Procurement “Claw”

Procurement “Claw” (Section 200.320)



1. Micro-Purchase

- < \$3,000
- No quotations
- Equitable distributions

2. Small Purchases

- Up to \$150,000
- Rate quotations
- No cost or price analysis

3. Sealed Bids

- > \$150,000
- Construction projects
- Price is a major factor

4. Competitive Proposals

- > \$150,000
- Fixed price or cost reimbursement
- RFP with evaluation methods

5. Sole Source

- Unique
- Public emergency
- Authorized by agency or PTE
- No competition

Procurement “Claw”

Procurement “Claw” (Sections 200.317-326)



General Standards

- Documented Policies
- Necessary
- Full & Open Competition
- Conflict of Interest
- Documentation
 - Cost & Price Analysis
 - Vendor Selection

Sub-recipient Monitoring (200.330-332)

- Guidance defines sub-recipient vs. contractor.
- Subaward must contain specific and detailed information
- Pass-through entities must evaluate each subrecipient's risk of noncompliance
- Pass-through entities must monitor activities of the subrecipient

Required Policies

- Charging of Costs
- Billing and Financial Reporting Policy
- Procurements Standards Policy

Best Practice Policies

- Financial Management Systems Policy
- Documentation of Internal Controls
- Cost Sharing and Matching Policy
- Program Income Policy
- Budget and Program Revisions Policy
- Property and Equipment Standards Policy
- Subrecipient Procedures Policy

Subpart E – Cost Principles

Direct and Indirect (F&A) Costs

- No universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system.
- A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective
- Each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards

Indirect Costs Rates

- Federal agencies must accept negotiated indirect cost rates
- Exceptions in limited circumstances:
 - Pursuant to statute or regulation
 - Head of the agency approves it based on publicly documented justification.
- Requires pass-through entities to honor an organization's negotiated indirect cost rate or negotiate a rate.

Indirect Cost Rates

- Non-federal entities that have never had a negotiated indirect cost rate may use a de minimus rate of 10 percent of modified total direct costs.
- Must use consistently on all awards until rate is negotiated, which entity may do at any time

Time and Effort Reporting

- Guidance is less prescriptive on documentation and places more emphasis on internal control
- Changes made by OMB aimed at reducing the administrative burden of documenting time and effort
- Budget estimates (estimates determined before services performed may be used for interim accounting purposes, provided that:
 - Estimate is “reasonable approximations” of actual
 - Significant changes in work activity are captured timely.
 - Review the charges and adjustments after the fact to actual

Time and Effort Reporting

- Charges must be based on records that accurately reflect the work performed and must:
 - Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable and properly allocated
 - Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities
 - Comply with the established accounting policies and practices of organization
 - Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award

Subpart F – Audit Requirements

***MORE TO COME**

Wisconsin State Single Audit Guide

Key Changes

State Single Audit Guide

- Incorporates references to Uniform Guidance (CFR Part 200), rather than references to old guidance
- Increased Thresholds for determining Type A/B programs
 - Type A threshold - \$250,000
 - Type B threshold - \$62,500
- Exemption from State Major Program determination for programs under \$25,000

Wisconsin Department of Health Audit Guide

- As of June 21, 2016, DHS thresholds were raised
 - Type A threshold - \$250,000 or 3% of total DSH expenditures
 - Type B threshold - \$62,500 or 25% of Type A expenditures
- Removed some programs
 - Community Integration Program 1 – Brian Injury Waiver
 - Public Health Program Cluster
 - Comprehensive Community Services (maybe added back)
- Significant changes to some program testing guides
 - Wisconsin Medicaid Cost Reporting
 - Community Recovery Services
 - Children’s Long Term Support Waiver

Wisconsin Department of Public Instruction

- General Aids program
 - testing requirements were updated
 - Limited testing for district receives \$25,000 or less
- Special Education Program
 - Reclassified as Type A, rather than designated major
 - 3 part supplement
 - ◇ Part 1 – always required
 - ◇ Part 2 – required when selected as major
 - ◇ Part 3 – limited testing for entities receiving less than \$250,000 when selected as major
- Additional changes
 - “No Valid License/Questioned Cost” testing and reporting
 - Audited Fund Balance report format

Preparing for your Single Audit

Understanding your Program(s)

- Read through grant agreements for terms and conditions
- Compliance Supplement from OMB and State Single Audit Guide
- Department Handbooks/Manuals
- Obtain proper training

Don't Go it Alone

- Communicate with the Granting Agency
 - Request waivers
 - Ask for clarification
- Work with peers that have experience
- Responsibility of all departments who have federal funds
 - Accounting
 - Procurement/purchasing
 - Contract/legal
 - Program departments

The SEFA/SESA and Audit Applicability

- Consider a Grant Inventory (include subaward payments)
- Determine if you need a Single Audit or Program Audit
 - Federal Single Audit: total federal expenditures > \$750,000
 - State Single Audit/Program Audit
 - ◇ Federal Single Audit
 - ◇ Any State Dollars
 - DHS/DCF Specific Audits - >\$25,000 in Department Funds
- Draft and reconcile your SEFA/SESA

Document, Document, Document

- Document compliance requirements
- Document proper internal controls over compliance
 - Segregation of duties
 - Ultimately leads to proper compliance
- Document key individuals, date, reports
- Complete documentation of Program Understanding and Internal Controls for each grant agreement

Tools

- Uniform Grant Guidance:

<http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=7&SID=8526755edb4bee2021e4af47fad2fe57&ty=HTML&h=L&mc=true&n=pt2.1.200&r=PART>

- Compliance Supplement:

https://www.whitehouse.gov/omb/financial_fin_single_audit

- State Single Audit Guide:

<http://www.doa.state.wi.us/Divisions/budget-and-finance/financial-reporting/state-controllers-office/state-single-audit-guidelines>

- COSO

- Green Book

- Department Handbooks

- Template Policy/Procedures

**So you have a
FINDING, now what?**

Get Clarification

- Understand what the finding is
 - What program(s) does it relate to
 - Is it an internal control or compliance finding
 - What is the specific attribute/requirement that is related
 - Are their questioned costs
 - How prevalent was the occurrence
- Understand the cause of the finding
 - What happened – one time error, systemic flaw
 - Who is responsible
- Understand how to mitigate it in the future

Develop a Response

- Specific
 - Who is responsible for implementing the change
 - What changes will be made
- Actionable
 - This should steps that organization can and will implement
- Time sensitive
 - When will the finding be addressed by
 - How will it be monitored

Monitor

- The finding doesn't end with the report
- Who will be responsible to ensure it has been addressed
- Use as an opportunity for growth across programs/activities
- Drive improvement, growth

Questions



Panel of Peers-Experienced Resources

- Alane Spatola, Financial Accounting Manager
Madison College
- Aaron Robinette, Accounting Specialist
City of Milwaukee
- Cathy Karls, Assistant Comptroller
Columbia County Health & Human Services

Thank you!

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