

# Single Audits: What is a Single Audit and How Does My ARRA Funding Relate to a Single Audit?

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# Overview

- What is it?
- Why do we need it?
- Basic requirements
- ARRA impact
- Audit preparation

# Single Audit

- What is it?
  - Audit of federal grant expenditures
    - Entities with \$500,000 or more of federal expenditures (cash or non-cash)
      - Revenues is not considered
  - Separate planning
    - Separate materiality determinations
    - Separate risk assessment
  - Separate control testing
  - Separate procedures

# Single Audit

- Why do we need it?
  - Mandated by the Single Audit Act of 1984
    - Before implementing the Single Audit, the federal government relied on numerous audits carried out on individual federally funded programs to ensure these funds were spent properly.
    - Because the government had numerous agencies awarding hundreds of different programs, the task of auditing all programs became increasingly difficult and time consuming.
    - To improve this situation, the Single Audit Act of 1984 standardized audit requirements for states, local governments, and Indian tribal governments that receive and use federal financial assistance programs

# Single Audit

- Why do we need it?
  - Single Audit are overseen by the US Office of Management and Budget (OMB)
  - In 1985, the (OMB) issued OMB Circular A-128, “Audits of State and Local Governments,” to help recipients and auditors implement the new Single Audit.
  - In 1990, OMB administratively extended the Single Audit process to non-profit organizations by issuing OMB Circular A-133, “Audits of Institutions of Higher Education and Other Non-Profit Organizations” which superseded OMB A-128.
    - Standardized the Single Audit in the United States to include all states, local governments, non-profit organizations, and institutions that receive federal funds from the US government.

# Single Audit

- Why do we need it?
  - The Single Audit provides the federal government with assurance that the billions of federal dollars provided to grant recipients are spent appropriately and proper controls are in place to ensure the funds are spent appropriately

# Single Audit

- Basic requirements for determining the need for an A-133 audit
  - Planning
    - Determination of federal awards amounts
      - SEFA – Schedule of Expenditures of Federal Awards
      - Cash and non-cash expenditures
    - Programs are listed and grouped by cluster and CFDA #
      - Cluster – a group of programs that the OMB has deemed similar and must be tested together
      - CFDA # - Catalog of Federal Domestic Assistance
        - [www.grants.gov](http://www.grants.gov)

# Single Audit

- Basic requirements for determining the need for an A-133 audit
  - Planning
    - To determine if a Single Audit is necessary
    - To determine which programs are to be audited
      - » Larger (Type A) vs. Smaller (Type B)
      - » High Risk vs. Low Risk
    - To determine which compliance requirements are to be tested
  - Determination of materiality for federal awards

# Single Audit

- Basic requirements for determining the need for a Single Audit
  - Risk Assessments
    - Assess the risks and controls for all 14 compliance areas, if applicable
    - OMB mandates the following 14 compliance areas be reviewed:
      - Activities Allowed or Unallowed
      - Allowable Costs/Cost Principles
      - Cash Management
      - Davis Bacon Act
      - Eligibility
      - Equipment and Real Property Management
      - Matching, Level of Effort and/or Earmarking
      - Period of Availability of Federal Funds
      - Procurement and Suspension and Debarment
      - Program Income
      - Real Property Acquisition and Relocation Assistance
      - Reporting
      - Subrecipient Monitoring
      - Special Tests and Provisions

# Single Audit

- Basic requirements for an A-133 audit
  - Fieldwork
    - After risks are assessed and controls are tested, fieldwork is performed on specific OMB compliance areas
    - Single Audit testing steps determined
      - OMB A-133 Annual Compliance supplement
      - by auditor
      - Grant agreement must also be consulted to determine additional steps

# Single Audit

- Audit Compliance:
  - Principal compliance requirements applicable to most federal programs are included in the OMB's annual compliance supplement.
  - Compliance with those requirements for each major program is evaluated by testing of transactions and other auditing procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance.
  - Requirements vary by program and grant agreement or contract.

# Single Audit

- Basic requirements for an A-133 audit
  - Reporting
    - Classification of Management Comments
      - Best Practice
      - Deficiency
      - Significant Deficiency – required to be reported in Single Audit report
      - Material Weakness – required to be reported in Single Audit report

# Single Audit

- Basic requirements for an A-133 audit
  - Reporting
    - Findings are to be written using the following format:
      - Information on Federal program, including CFDA title and number.
      - Criteria or specific requirement on which the finding is based, including any statutory, regulatory or other citation.
      - Condition found, including facts that support the deficiency identified in the audit finding.
      - Questioned Costs
      - Context, information to provide the proper perspective for judging the prevalence and consequences of the audit findings. Where appropriate, instances identified shall be related to the universe and the number of cases examined and quantified in terms of dollar value.
      - Effect, auditor's professional judgment about the possible impact of the finding.
      - Cause
      - Recommendation
      - Views of responsible officials and planned corrective actions

**ABC District**  
**00-000-0000-00**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ending June 30, 2009**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

- |   |                            |     |  |
|---|----------------------------|-----|--|
| <b>1. FINDING NUMBER:</b> <sup>14</sup>   | <b>2. THIS FINDING IS:</b> | New | Repeat from Prior year?<br>Year originally reported? |
| <b>3. Federal Program Name and Year:</b>  |                            |     |  |
| <b>4. Project No.:</b>  | <b>5. CFDA No.:</b>        |     |  |
| <b>6. Passed Through:</b>   |                            |     |  |
| <b>7. Federal Agency:</b>   |                            |     |  |
| <b>8. Criteria or specific requirement (including statutory, regulatory, or other citation)</b> |                            |     |  |
| <b>9. Condition</b> <sup>15</sup>   |                            |     |  |
| <b>10. Questioned Costs</b> <sup>16</sup>   |                            |     |  |
| <b>11. Context</b> <sup>17</sup>  |                            |     |  |
| <b>12. Effect</b>   |                            |     |  |
| <b>13. Cause</b>  |                            |     |  |
| <b>14. Recommendation</b>   |                            |     |  |
| <b>15. Management's response</b> <sup>18</sup>  |                            |     |  |

# ARRA's Impact on Audits

# Audit Changes Due to ARRA

How has ARRA changed the audit?

- Districts may be over \$500,000 for the first time
  - Not aware of grant requirements
  - Unfamiliar with single audit process (identifying grants and expenditures correctly)
  - Not have appropriate internal controls
- Recipients may be subject to additional compliance requirements:
  - Davis-Bacon prevailing wage rate requirements;
  - Buy American provisions;
  - *Contract Work Hours and Safety Standards Act*.
  - The A-133 Compliance Supplement identifies *most* of these requirements for *most* programs.
- Anticipated rule changes are still to be determined.

# Audit Changes Due to ARRA

## Major Program Determination

- Due to the inherent risk with the new transparency and accountability requirements for expenditures of ARRA awards, all federal programs with expenditures of ARRA awards are considered programs of higher risk.
- Accordingly, when performing the risk-based approach, Type A programs with expenditures of ARRA awards should not be considered low risk except when the auditor determines, and clearly documents, that the expenditures of ARRA awards are low-risk for the program.
- Any federal program that is now receiving ARRA money should be considered a new program and will not qualify as low-risk.
- If it was audited last year, but in the current year received ARRA funding, the program must be audited again – it cannot be “rotated.”

# Audit Changes Due to ARRA

- Federal agencies are required to specifically identify ARRA awards.
- Recipients must maintain records that identify the source and application of ARRA funds.
- Recipients must identify to each subrecipient the federal award number, CFDA number, and amount of ARRA funds.
- Award information must be documented at the time of award and disbursement.

# Audit Changes Due to ARRA

- Assessment of internal controls:
  - Ensure compliance with federal laws and regulations; and
  - Ensure compliance with grant/contract terms and conditions.
- Conduct expenditure sampling to ensure federal compliance.
- **New guidance on Sample Sizes is effective for 6/30/10 audits**
  - Very significant and higher inherent risk – 60
  - Very significant and limited inherent risk or moderately significant and higher inherent risk – 40
  - Moderately significant and limited inherent risk - 25

# Audit Changes Due to ARRA

- Federal programs without CFDA numbers:
  - New CFDA numbers were provided for most, but not all, programs funded by ARRA; and
  - When a CFDA number is unavailable, the contract or grant agreement shall be used to plan audit testing.

# Compliance Supplement

- OMB releases a compliance supplement annually to update audit requirements and guidance.
- The release dated “March 2009” did not have compliance requirements unique to ARRA.
- 2009 OMB Circular A-133 Compliance Supplement      Addendum #1
  - Issued August 2009
  - Effective for June 30, 2009
  - Includes changes for ARRA funds

# Compliance Supplement Addendum #1

- Updated compliance requirements for new and existing programs
  - Includes CFDA number assigned to the State Fiscal Stabilization Fund program
- ARRA cross-cutting requirements updated for:
  - Activities allowed or unallowed;
  - *Davis-Bacon Act*;
  - Procurement;
  - Suspension and debarment;
  - Reporting;
  - Subrecipient monitoring; and
  - Special tests and provisions.

# Compliance Supplement Addendum #1 (Part 3)

- **Activities Allowed or Unallowed:** Adds new unallowable activities to ensure ARRA monies are not used for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool
- *Davis-Bacon Act:* Includes the ARRA and related OMB implementing guidance as a source for requirements
- **Procurement and Suspension and Debarment:** Adds a new objective to determine:
  - Whether an award includes a Buy-American award term;
  - Compliance with Buy-American ARRA provisions; and
  - If any waivers have been granted;

# Compliance Supplement Addendum #1 (Part 3, continued)

- Reporting
  - Section 1512 of ARRA includes reporting requirements applicable to awards under ARRA Division A.
    - On June 22, 2009, OMB issued “Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009.” That guidance covers the reporting requirements of Section 1512 of ARRA and includes two supplements:
      - (1) a list of programs subject to the ARRA reporting requirements, and
      - (2) a “Recipient Reporting Data Model.”
    - This guidance may be accessed at the OMB Web site from links at:  
[http://www.whitehouse.gov/omb/assets/a133\\_compliance/arra\\_addendum\\_1.pdf](http://www.whitehouse.gov/omb/assets/a133_compliance/arra_addendum_1.pdf)

# Compliance Supplement Addendum #1 (Part 3, continued)

- Subrecipient Monitoring: Adds a new audit objective to determine if the subrecipient has communicated to its first-tier subrecipients the requirement to register in the Central Contractor Registration
- Three (3) new special tests and provisions:
  - Separate accountability for ARRA funding;
  - Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (DCF) presentation requirements; and
  - Requirements for the prime recipient to identify for its subrecipient:
    - Federal awards and CFDA numbers;
    - The amount of ARRA funds; and
    - SEFA and DCF presentation requirements.

# ARRA Grants for Schools

- Typical grants received by districts that contain ARRA:
  - 84.389 – Title I Grants to Local Educational Agencies
  - IDEA Cluster
    - 84.391 – Special Education—Grants to States (IDEA, Part B)
    - 84.392 – Special Education—Preschool Grants (IDEA Preschool)
  - 84.393 – Special Education—Grants for Infants and Families
  - 84.394 – State Fiscal Stabilization Fund (SFSF) – Education State Grants(Education Stabilization Fund)
  - 84.397 – State Fiscal Stabilization Fund (SFSF) – Government Services

# Audit Compliance

- **ARRA prohibits an LEA from using Education Stabilization funds for:**
  - Payment of maintenance costs
  - Stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public
  - Purchase or upgrade of vehicles
  - Improvement of stand-alone facilities whose purpose is not the education of children, including central office administration or operations or logistical support facilities
  - School modernization, renovation, or repair inconsistent with State law
  - Financial assistance for students attending private elementary or secondary schools, unless the funds are used to provide special education and related services to students with disabilities, as authorized by IDEA
  - Restoring or supplementing a “rainy day” fund

## Audit Noncompliance Penalties and Findings

- OMB Guidance – Memo 09-10 (Section 6.4)
  - Contract funds will be available contingent upon the recipient's compliance with Section 1512.
- Potential penalties of noncompliance:
  - Findings for recovery;
  - Debarment or suspension;
  - Termination of federal funding;
  - Subjection to fraud investigations.
- Responding to audit findings:
  - Determine the root cause;
  - Validate the finding's accuracy;
  - Be proactive in developing a corrective action plan;
  - Seek assistance in responding, if needed.
- Noncompliance could be treated as a violation of the award agreement
- All information will be available to the public

# AUDIT PREPARATION

# Ways to Prepare for Audit

- Understand the audit timing and scope.
- Review grant agreements and contracts to determine if changes to controls or accounting systems are needed.

NOTE: High-risk recipients may be targeted for audits.

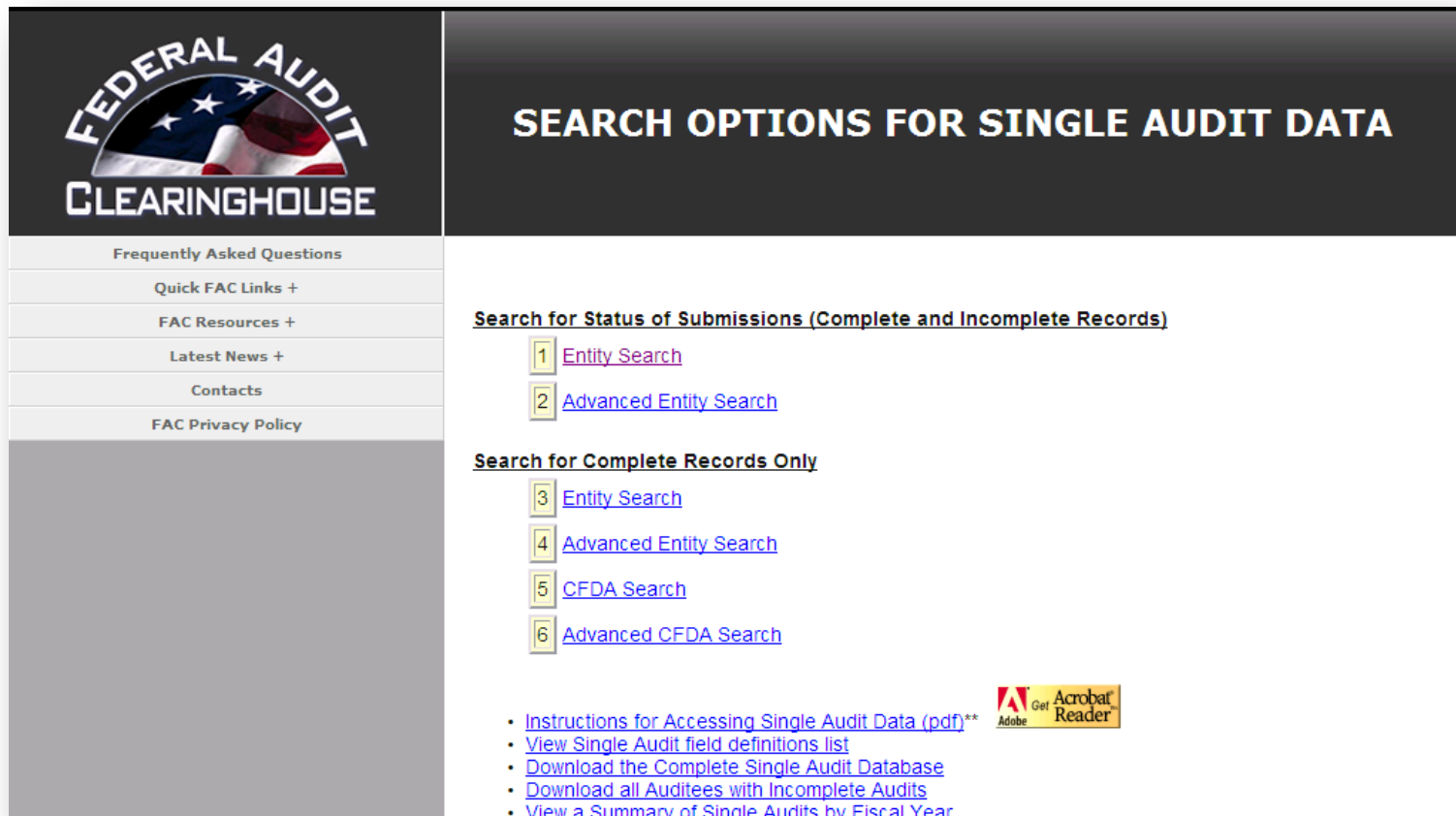
# Document Policies and Procedures

- Policies and procedures should be documented to help ensure adherence to all areas of compliance;
- Be proactive rather than reactive:
  - Review the effectiveness of internal controls;
  - Conduct interim compliance audits:
    - Grant-specific requirements;
    - Governmental regulations.
  - Perform reviews of subrecipients:
    - Compliance with grant requirements;
    - Adherence to prime recipient's guidance;
    - Review of internal controls.

# Review Others' Audit Results

- Federal Audit Clearinghouse

- Go to <http://harvester.census.gov/sac>



The screenshot shows the Federal Audit Clearinghouse website. The header features the logo with the text "FEDERAL AUDIT CLEARINGHOUSE" and a stylized American flag. Below the logo is a navigation menu with the following items: "Frequently Asked Questions", "Quick FAC Links +", "FAC Resources +", "Latest News +", "Contacts", and "FAC Privacy Policy". The main content area is titled "SEARCH OPTIONS FOR SINGLE AUDIT DATA". It is divided into two sections: "Search for Status of Submissions (Complete and Incomplete Records)" and "Search for Complete Records Only".


**SEARCH OPTIONS FOR SINGLE AUDIT DATA**

**Search for Status of Submissions (Complete and Incomplete Records)**

- 1 [Entity Search](#)
- 2 [Advanced Entity Search](#)

**Search for Complete Records Only**

- 3 [Entity Search](#)
- 4 [Advanced Entity Search](#)
- 5 [CFDA Search](#)
- 6 [Advanced CFDA Search](#)

[Instructions for Accessing Single Audit Data \(pdf\)\\*\\*](#) 

- [View Single Audit field definitions list](#)
- [Download the Complete Single Audit Database](#)
- [Download all Auditees with Incomplete Audits](#)
- [View a Summary of Single Audits by Fiscal Year](#)

# Other Ways to Prepare for an Audit

- Monitoring plans
  - Clearly identify necessary activities and responsible parties;
  - Allow for consistency throughout monitoring activities.
- Risk Assessment
  - Understand areas of risk exposure
    - Can you answer “yes” to any of the following:
      - Are you new to managing federal grant monies?
      - Have you previously had to manage subrecipients?
      - Is the grant newly funded or new to your organization?
- Develop a Risk Mitigation Plan
  - A strategy should exist to address each identified risk.

# Implement a Plan

- Implementation
  - Communicate ARRA processes to all involved parties.
    - Establish clarity regarding roles and responsibilities: Who is responsible for inserting and collecting data?
    - Review the plan for each applicable reporting quarter: Do timelines account for holidays?
  - Execute data reviews.
    - Ensure data integrity.
    - Is the data provided what the federal government actually requested?
  - Continuous risk monitoring

# Resources Available

- OMB Circulars
  - Go to [www.whitehouse.gov/OMB/circulars](http://www.whitehouse.gov/OMB/circulars)
- OMB Recovery Act – Guidance Memoranda
  - Go to [www.whitehouse.gov/omb/recovery\\_default](http://www.whitehouse.gov/omb/recovery_default)
- Recovery Act
  - Go to [www.Recovery.gov](http://www.Recovery.gov)
- Recovery Act Federal Reporting
  - Go to [www.FederalReporting.gov](http://www.FederalReporting.gov)
- Federal Audit Clearinghouse
  - Go to <http://harvester.census.gov/sac>
- U.S. Government Accountability Office
  - Go to [www.gao.gov](http://www.gao.gov)
- Catalog of Federal Domestic Assistance
  - Go to [www.cfda.gov](http://www.cfda.gov)
- Federal Award and Procurement Data
  - Go to [www.USAspending.gov](http://www.USAspending.gov)

# Contact information

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# Questions & Answers