



OMB Supplement Addendum and the Latest COVID-19 Single Audit Implications

December 10, 2020

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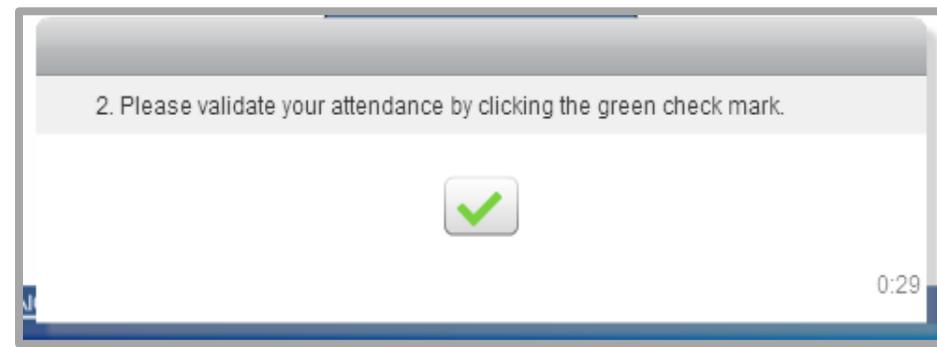
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Today's speakers.



**Kim
McCormick
CPA, Partner,
Grant
Thornton**



**Lindsey
Oakley,
CPA, Partner,
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What we will cover today

COVID-19 Refresher

Breaking News

Reminders on SEFA Reporting

Addendum Contents

Important Reminders

WARNING!!!

INFORMATION ON THE ADDENDUM IN THIS PRESENTATION IS BASED ON A NEAR FINAL DRAFT THAT WE WERE PROVIDED BY OMB TO PREPARE FOR THIS EVENT.

WHILE WE DO NOT EXPECT ANY MAJOR CHANGES, YOU SHOULD REVIEW THE FINAL ADDENDUM CLOSELY TO ENSURE THERE HAVE NOT BEEN ANY SIGNIFICANT CHANGES.

Learn more about COVID-19 impact from the GAQC

Recent no-CPE archived GAQC Web events

- 2020 Supplement and COVID-19 Single Audit Implications (9/9/20)
- 2020 Compliance Supplement and Single Audit Update (6/30/20)
- Single Audit Fundamentals (a 4-part series) (8/26 – 8/27/20)
- Preparing for your First Single Audit: An Auditee Perspective (9/14/20)
- Access all at:
<https://www.aicpa.org/interestareas/governmentauditquality/resources/single-audit-archived-events.html>

Upcoming live CPE events

- Register for the December 15th GAQC Web Event, [An Audit Primer for Auditors of For-Profit Entities Receiving HHS Provider Relief Funds](#)

Terminology and abbreviations

CFR	Code of Federal Regulations	HHS	Department of Health and Human Services
COVID-19	Novel Coronavirus	IHE	institutions of Institute of Higher Education
CPE	Continuing Professional Education	I/C	Internal Control
CRF	Coronavirus Relief Fund	IHE	Institute of Higher Education
DCF	Data Collection Form	NFP	Not-for-Profit Entities
ESF	Education Stabilization Fund	OIG	Office of Inspector General
F/S	Financial Statements	OMB	Office of Management and Budget
FAQ	Frequently Asked Questions	PDF	Adobe Acrobat File Format
FFATA	Federal Funding Accountability and Transparency Act	PPE	Personal Protective Equipment
FMCSA	Federal Motor Carrier Safety Assistance	PRF	Provider Relief Fund
FSRS	FFATA Subaward Reporting System	PTE	Pass-Through Entity
GAAP	Generally Accepted Accounting Principles	SAS	Statements on Auditing Standards
GAO	Government Accountability Office	SBA	Small Business Administration
GAQC	Governmental Audit Quality Center	SEFA	Schedule of Expenditures of federal Awards
HEERF	Higher Education Emergency Relief Fund	SFA	Student Financial Assistance
HHS	Department of Health and Human Services	UG	Uniform Guidance
HUD	Department of Housing and Urban Development	USDA	Department of Agriculture

Supplement Sections and Titles

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Part 1, *Background, Purpose and Applicability*

Part 2, *Matrix of Compliance Requirements*

Part 3, *Compliance Requirements*

Part 4, *Agency Program Requirements*

Part 5, *Clusters of Programs*

Part 6, *Internal Control*

Part 7, *Guidance for Auditing Programs Not Included in This Supplement*

Appendix I, *Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200*

Appendix II, *Federal Agency Codification of Governmentwide Requirements and Guidance*

for Grants and Cooperative Agreements

Appendix III, *Federal Agency Single Audit, Key Management Liaison, and Program Contacts*

Appendix IV, *Internal Reference Tables*

Appendix V, *List of Changes for the 2019 Compliance Supplement*

Appendix VI, *Program-Specific Audit Guides*

Appendix VII, *Other Audit Advisories*

Appendix VIII, *Examinations of EBT Service Organizations*

Appendix IX, *Compliance Supplement Core Team*

Addendum background

Expected release by mid-December 2020

Will be made available in 1 large PDF file on OMB Web site

Will also be posted to GAQC Web site within a few days of issuance at same location as 1st release of Supplement at:

<https://www.aicpa.org/interestareas/governmentauditquality/resources/singleaudit/2020-omb-compliance-supplement.html>.

Panel discussion – How has the timing of the Addendum impacted your practice?



Panel discussion – What happens if I completed my audit prior to the Addendum’s issuance and something in the Addendum affects the work that I did?



If you had to issue your single audit prior to the issuance of the Addendum, remember that Appendix VII in the August 2020 Supplement says the following: “Reports issued prior to the publication of the addendum are not required to adhere to the requirements in addendum.” It also states that “Documentation of the procedures performed to identify the compliance requirements is important.”

COVID-19 Refresher

COVID-19 funding - new and existing programs

New programs

CARES Act provided many existing programs with additional funding

Some existing federal programs have also been granted significant flexibilities and/or waivers of compliance requirements by federal agencies

Applicable Laws

- **Coronavirus Preparedness and Response Supplemental Appropriations Act**
- **Families First Coronavirus Response Act**
- **Coronavirus Aid, Relief, and Economic Security Act (CARES Act)**
- **Future relief funding?**

COVID-19 Funding—Largest New Programs

Paycheck Protection Program

(>\$600B)

Federal Agency: SBA

For-profits, NFPs

Is not subject to single audit

Assistance Listing: 59.073

Provider Relief Fund (\$175B)

Federal Agency: HHS

For-Profits, NFPs, Governmental
Entities

Is subject to single audit

Assistance Listing: 93.498

Coronavirus Relief Fund (\$150B)

Federal Agency: Treasury

Governmental Entities and Tribes

Is subject to single audit

Assistance Listing: 21.019

Educational Stabilization Fund (\$30.75B)

Federal Agency: Education

States, Schools, IHE

Is subject to single audit

Assistance Listing: 84.425

List of existing programs receiving CARES funding

- This federal FAQ includes a comprehensive listing of existing federal programs that were funded through the CARES Act and other supplemental appropriations to support the response to the COVID-19 crisis
- Listing can be found in Appendix A to the FAQ
- [Access the listing](#)

Appendix A: List of COVID-19 Federal Assistance Programs

The below list of COVID-19 Federal assistance programs was published through the Assistance Listings in www.beta.sam.gov as of the publication of this FAQ.

Assistance Listing	Federal Agency	Program Name/s
10.130	Department of Agriculture (USDA)	Coronavirus Food Assistance Program (CFAP)
10.475	Department of Agriculture (USDA)	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection
10.477	Department of Agriculture (USDA)	Meat, Poultry, and Egg Products Inspection
10.529	Department of Agriculture (USDA)	Food Distribution Program on Indian Reservations (FDPIR) Nutrition Paraprofessional Training Project
10.539	Department of Agriculture (USDA)	CNMI Nutrition Assistance
10.551	Department of Agriculture (USDA)	Supplemental Nutrition Assistance Program
10.553	Department of Agriculture (USDA)	School Breakfast Program
10.555	Department of Agriculture (USDA)	National School Lunch Program
10.556	Department of Agriculture (USDA)	Special Milk Program for Children
10.557	Department of Agriculture (USDA)	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Department of Agriculture (USDA)	Child and Adult Care Food Program
10.559	Department of Agriculture (USDA)	Summer Food Service Program for Children
10.566	Department of Agriculture (USDA)	Nutrition Assistance For Puerto Rico
10.567	Department of Agriculture (USDA)	Food Distribution Program on Indian Reservations
10.568	Department of Agriculture (USDA)	Emergency Food Assistance Program (Administrative Costs)
10.569	Department of Agriculture (USDA)	Emergency Food Assistance Program (Food Commodities)
10.570	Department of Agriculture (USDA)	WIC Grants To States (WICG)

Breaking News!

Key news of interest to all – expected audit extensions

We believe Appendix VII of the Addendum will allow recipients and subrecipients that received COVID-19 funding with original due dates from October 1, 2020 through June 30, 2021, to have a 3-month extension

- Still can be considered low-risk auditee

No further action by awarding agencies is required to enact this extension

Does not require individual recipients and subrecipients to seek approval for the extension

Recipients and subrecipients should maintain documentation of the reason for the delayed filing.

No receipt of COVID-19 funding? NO EXTENSION!



**CAUTION:
Check the final
Addendum to
make sure
this makes it
in!**

Expected Addendum extensions for 2020 at a glance

SNAPSHOT OF IMPACT OF OMB ADDENDUM 3-MONTH AUDIT EXTENSION ON VARIOUS FISCAL YEAR-ENDS FOR ENTITIES RECEIVING COVID-19 FUNDING

<u>Fiscal Year End</u>	<u>Normal Due Date*</u>	<u>Extended Due Date* (3-month extension)</u>
January 31, 2020	October 31, 2020	January 31, 2021
February 29, 2020	November 30, 2020	February 28, 2021
March 31, 2020	December 31, 2020	March 31, 2021
April 30, 2020	January 31, 2021	April 30, 2021
May 31, 2020	February 28, 2021	May 31, 2021*
June 30, 2020	March 31, 2021	June 30, 2021
July 31, 2020	April 30, 2021	July 31, 2021
August 31, 2020	May 31, 2021	August 31, 2021
September 30, 2020	June 30, 2021	September 30, 2021

***Per section 200.512 of the Uniform Guidance, if the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. Dates in these columns have NOT been adjusted accordingly.**

What about status of extensions for previous year-ends?

Audit extensions for 2019 year-ends dictated by previously issued [OMB Memo M-20-26](#)

- The only remaining extension in existence from M-20-26 relates to December 31, 2019, year-ends which has an extension to December 31, 2020

Other breaking news to be covered in more detail later in the presentation

A new reporting requirement is being added that will need to be tested for all COVID-19 programs in the Addendum

- Will be extended to all selected major programs for audits of fiscal years after September 30, 2020, regardless of whether COVID-19 funding involved

The SEFA will have to include a footnote with an amount of donated PPE (from federal assistance) but it can be marked unaudited

More key news for auditors of PRF - timing of SEFA reporting

PRF expenditures and lost revenue will not be included on SEFAs until December 31, 2020, year-ends and later

The Other Information section of the PRF section will provide specific requirements for SEFA reporting

- It will link SEFA reporting for PRF to amounts required to be reported directly to HHS at calendar year-end and again at June 30, 2021



PRF timing – a picture to help understanding!

<u>Year end</u>	<u>What is included on the SEFA?</u>	<u>How are amounts calculated?</u>	<u>Other Information</u>
Before 12/31/20	No PRF	N/A	Recipients will report the 2020 PRF expenditures and lost revenue in the 2021 audit
12/31/2020	2020 PRF expenditures and lost revenue	Based on 12/31/20 PRF reporting to HHS	
After 12/31/20 but before 6/30/21	2020 PRF expenditures and lost revenue	Based on 12/31/20 PRF reporting to HHS	
6/30/21 or after	?	?	2021 Supplement will provide guidance

Now that we have your attention....let's delve in!

Reminders on SEFA Reporting for Other Programs (other than PRF)

When should expenditures go on the SEFA?

While PRF has included specific requirements for SEFA reporting, other new COVID-19 programs are introducing challenges to normal process

- Cash received well before award/terms and conditions agreed to
- New concept of lost revenue
- Ability to choose which costs are charged to a particular award is at a level we have not encountered before

General rule of thumb for SEFA inclusion

- Underlying activity occurs
- There is an award/terms of conditions
- Not necessarily tied to GAAP recognition of revenue

**Challenges
in this area
exist for both
direct awards
and awards
received
from PTEs**

When is there an award (or terms and conditions)?

Very challenging to determine in some cases, especially when funds received in advance

- Typical awarding process not followed due to pandemic crisis
- May not be a “signed” document

Suggestions for determining award date when it is unclear

- Discussions with management and results of management discussions with PTEs, when applicable
- Review of client records including Board minutes and e-mail correspondence



**Documentation
will be
important!**

Addendum Scope Section, Table of Contents, and Part 2 Matrix

Scope section and table of contents

Scope section

- Effective date is for audits of fiscal years beginning after June 30, 2019
- Emphasizes that the Addendum must be used in conjunction with 1st release of 2020 Supplement (referred to as the August 2020 Supplement) in determining the appropriate audit procedures to support the compliance opinion
- Describes which parts of the August 2020 Supplement are being modified, as well as which sections are new

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Part 2 matrix

Part 3 – Update to Supplement section L.
Reporting

Part 4 program sections

Part 5 notice on SFA cluster

Additions to Appendix VII

Part 2 matrix section

Matrix provided for all new programs (noted with “new” after the title and bolded) and existing programs included

- Based on our review, there are no changes to the compliance requirements noted with a “Y” for any of the existing programs included in the Addendum

A new non-COVID-19 program is being added in the Addendum (Assistance Listing 20.218) and a matrix line is included for that program

Includes a notification of the erroneous inclusion of crosscutting section 20.000 in the August 2020 Supplement Part 2 matrix (it should have been deleted) and a description of several other related corrections

Part 3 – L Reporting

FFATA reporting requirement

Compliance requirement added relating to Federal Funding Accountability and Transparency Act reporting

FFATA requires recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards of \$25,000 or more to report subaward data through the FFATA Subaward Reporting System

- Also applies to prime contractors that make subcontracts of \$25,000 or more

Information input to FFATA Subaward Reporting System (also referred to as FSRS) is available at USASpending.gov as the publicly available Web site for viewing this information (<https://www.usaspending.gov/search>)

When does it apply?

The auditor must test FFATA reporting for all the COVID-19 programs included in the Addendum (except for CRF) where:

- The reporting type of compliance requirement is marked as a “Y” in the Part 2 Matrix and the auditor determines Reporting to be direct and material; AND
- The recipient makes first-tier subawards/subcontracts of \$25,000 or more to report subaward data through the FFATA Subaward Reporting System

Above requirement extended to all major programs, regardless of whether COVID-19 funding is involved, for single audits of fiscal year ends after 9/30/20

Note that although the CRF program identifies Reporting as Y, CRF is not subject to FFATA reporting based on Treasury OIG Reporting Guidance (FAQ 31). The new FFATA section will acknowledge this.

Timing of FFATA testing - at a glance

Applies to the following programs in the Addendum immediately (assuming there is a Y for reporting and subawards \geq \$25K are made)

- New COVID-19 programs (excluding CRF – see prior slide)
- Existing programs with COVID-19 funding included in the Addendum (14.862, 93.153, 93.914 93.917, 93.918)

Extended to all selected major programs regardless of whether COVID-19 funding involved

- For single audits of fiscal year ends after 9/30/20

Does not apply to the new non-COVID-19 Transportation program, SFA cluster, and USDA programs (non-COVID-19 related) until audits of fiscal years after 9/30/20

FFATA audit objectives

Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR 200.514(c)

Determine whether required reports for federal awards include activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements

What will auditor do?

In addition to normal internal control procedures, suggested audit procedures for recipients include:

- Select a sample of first-tier subawards and determine if subject to FFATA reporting
- Find the awards in FSRS
 - Note that FSRS is only accessible by the recipient. Therefore, auditors will have to coordinate with clients to review the information in FSRS. Can be done physically (in person) or remotely using technology such as screensharing, screenshot evidence, etc.)
 - Compare the award information accessed in FSRS to the subaward documents maintained by the recipient to determine appropriate reporting
 - Report noncompliance if encountered (e.g., reporting was not made, incorrect amounts, lack of timeliness, etc.)
 - A prescribed table format is recommended for noncompliance findings (see next slide)

OMB recommended table for reporting FFATA noncompliance findings

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
25	2	10	13	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$5,000,000	\$200,000	\$4,000,000	\$800,000	\$0

Part 4 New Program Sections

New Programs in the Addendum

New COVID-19 Programs

- 16.034 Coronavirus Emergency Supplemental (\$850 Million)
- **21.019 Coronavirus Relief Fund (\$150 Billion)**
- 32.006 Telehealth Program (\$200 Million)
- **84.425 Education Stabilization Fund (\$30 Billion)**
- 93.461 Uninsured Testing Portal (\$2 Billion)
- **93.498 Provider Relief Fund (\$175 Billion)**

Non-COVID-19 Additions

- 20.218/20.237 Federal Motor Carrier Safety Assistance (FMCSA) cluster

CRF Background

The purpose of the CRF is to provide direct payments to state, territorial, tribal, and certain eligible local governments to cover:

1. necessary expenditures incurred due to the public health emergency with respect to COVID–19;
2. costs that were not accounted for in the governments' most recently approved budget as of March 27, 2020; and
3. costs that were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

Note that [Treasury FAQ #55](#) clarifies #2 above if a fund recipient enters a different budget year between March 27 and December 31, 2020.

CRF Background

\$150 billion distributed as follows:

- \$139 billion to 50 states and local governments with a population that exceeds 500,000
- \$8 billion tribal governments
- \$3 billion to District of Columbia, Puerto Rico, US Virgin Islands, Guam, Northern Mariana Islands, and American Samoa

Many other governments, NFPs, and even for-profit entities receiving CRF funding as subrecipients



Coronavirus Relief Fund

SUPPLEMENT MATRIX FOR CRF

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	N	N	Y	Y	N

Activities Allowed/Allowable Costs

For Activities Allowed or Unallowed, the CRF section refers auditors over to:

- Treasury CRF Guidance document (<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>)
- Treasury CRF FAQ document (<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>)

For Allowable Costs/Cost Principles, section states that the Uniform Guidance cost principles do not apply and that auditors should use Treasury's guidance and FAQs (cited above) as the criteria when testing the allowability of costs requirement.

What else do we expect for CRF section?

For Period of Performance requirement, auditors will focus on requirement that governments must use the direct payments for necessary expenditures incurred between March 1, 2020, and December 30, 2020, due to the COVID-19 public health emergency

The Reporting section will have auditor focus on required quarterly reporting by prime recipients into the Treasury GrantSolutions portal

- The [Treasury OIG has issued FAQs](#) relevant to the reporting that should be referred to

ESF Background

Funding provided to prevent, prepare for, and respond to coronavirus, domestically or internationally

This program is divided into grant types or subprograms designated by letters (84.425A - 84.425P)

The subprograms are further grouped into two sections in the Addendum

- Section 1 comprises those governed by the ESF; and
- Section 2 comprises those governed by the HEERF

“Roadmap” table included at the beginning of the section

CFDA No.	Program Name	Notes
84.425A	Education Stabilization Fund–State Educational Agency (Outlying Areas) (ESF-SEA)	See Section 1 (ESF) for compliance requirements and auditor guidance. See also other information (below).
84.425C	Governor’s Emergency Education Relief (GEER) Fund	
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund	
84.425H	Education Stabilization Fund–Governors (Outlying Areas) (ESF-Governors)	
84.425E	Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	See Section 2 (HEERF) for compliance requirements and auditor guidance. See also other information below.
84.425F	HEERF Institutional Portion	
84.425J	HEERF Historically Black Colleges and Universities (HBCUs)	
84.425K	HEERF Tribally Controlled Colleges and Universities (TCCUs)	
84.425L	HEERF Minority Serving Institutions (MSIs)	
84.425M	HEERF Strengthening Institutions Program (SIP)	
84.425N	HEERF Fund for the Improvement of Postsecondary Education (FIPSE) Formula Grant	
84.425B	Discretionary Grants: Rethink K-12 Education Models Grants	Neither Section 1 nor Section 2 include discussion of this program. See other information below.
84.425G	Discretionary Grants: Reimagining Workforce Preparation Grants	
84.425P	Institutional Resilience and Expanded Postsecondary Opportunity	

Major program considerations

For major program purposes, auditors must evaluate 84.425 in its entirety.

For testing purposes, auditors must consider the guidance in:

- Section 1 for numbers 84.425 A, C, D, and H; and
- Section 2 for numbers 84.425 E, F, J, K, L, M, and N.

Expenditures under 84.425 B and G are not subject to audit this year

When there are expenditures under 84.425 P, auditors must refer to Part 7, the “Notice Inviting Applications” for this program, and grant documents

Other ESF guidance provided

When alpha suffixes or programs are not clearly identified, the auditor will need to determine which program funds were expended through review of grant documents and inquiry of the auditee or grant/subgrant source agency

For purposes of SEFA reporting, recipients should identify the individual program(s) the funds were expended under, including each separate Assistance Listing with the applicable alpha character

- A total for the ESF in its entirety should also be provided

Education Stabilization Fund

SUPPLEMENT MATRIX FOR SECTION 1 (84.425 A, C, D, and H)

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, Effort	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	Y	N	N	N	Y	Y	N

Links to Additional Guidance Relevant to Section 1

Frequently Asked Questions about the Governor's Emergency Education Relief Fund (GEER Fund) -

(<https://oese.ed.gov/files/2020/05/FAQs-GEER-Fund.pdf>)

Frequently Asked Questions about the Elementary and Secondary School Emergency Relief Fund (ESSER Fund) -

(<https://oese.ed.gov/files/2020/05/ESSER-Fund-Frequently-Asked-Questions.pdf>)

Frequently Asked Questions – Education Stabilization Fund-State Educational Agency (ESF-SEA) -

(<https://oese.ed.gov/files/2020/09/ESF-SEA-Final-FAQs.pdf>)

Frequently Asked Questions – Education Stabilization Fund-Governors (ESF-Governor)

(<https://oese.ed.gov/files/2020/09/ESF-Governor-Final-FAQs.pdf>)

Educational Stabilization Fund

SUPPLEMENT MATRIX FOR SECTION 2 (HEERF) (84.425 E, F, J, K, L, M, and N)

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	Y	Y	Y	N	Y	N	N

Links to Additional Guidance Relevant to Section 2

HEERF Web site:

<https://www2.ed.gov/about/offices/list/ope/caresact.html>

HEERF Rollup FAQs (Compilation of all five previously-released HEERF FAQ documents in one document) (October 14, 2020) -

<https://www2.ed.gov/about/offices/list/ope/heerfaqsoct2020rollup.pdf>.

HEERF Reporting Requirements and Lost Revenue Discussion Webinar (October 14, 2020)

- Webinar Recording
(<https://mediasite.ed.gov/webcast/Play/e125773d112c4ae5bf8580236cd6efe91d>)
- Slides used in the Presentation
(<https://www2.ed.gov/about/offices/list/ope/heerfreportingwebinar10142020.pdf>)

HEERF Special Report requirements

Annual reporting (all HEERF grantees)

- Section states that report still under development for use and submission in early 2021

Quarterly reporting (institutional portion and student portion)

- Reports must be posted on the entity Web site

Auditor must test all of the above

- Testing may depend on the audit period (e.g., annual report not completed yet, quarterly reporting started out being required more frequently than quarterly, etc.) – reporting section describes these nuances

PRF Background

Provides relief funds to hospitals and other healthcare providers, including those on the front lines of the coronavirus response

Funding supports healthcare-related expenses or lost revenue attributable to COVID-19 and ensures uninsured Americans can get treatment for COVID-19

General distribution

Targeted distribution

What do we expect in the Supplement Addendum for PRF?

SUPPLEMENT MATRIX FOR PRF

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	N	N	N	Y	N	N

Remember!
 Be sure to check the Other Information section of this program for the timing requirements of reporting PRF on the SEFA (discussed at the outset of today's presentation).

PRF Activities Allowed/Allowable Costs

PRF Supplement section will include certain provisions of Terms and Conditions when discussing allowability and will also point auditor to HHS Web pages for additional program information including:

- CARES Act Provider Relief Fund:
<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/index.html>
- CARES Act Provider Relief Fund General Information:
<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/general-information/index.html>
- CARES Act Provider Relief Fund: For Providers which includes copies of terms and conditions:
<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/for-providers/index.html>
- CARES Act Provider Relief Fund FAQs:
<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/faqs/index.html>

PRF reporting requirement

Special report requirements for recipient reporting to HHS will be applicable only to audits of fiscal years ending on or after 12/31/20

- Auditors will be expected to test this special reporting requirement for 12/31/20 year ends even though reporting will not be able to be submitted by recipients until sometime in early 2021

At the time of issuance of the Addendum, the report and reporting portal are under development and not expected to be available by HHS before January 15, 2021

- By February 1, 2021, a notice will be placed on OMB Web site providing key line items and other information from the report that are subject to audit for audits of fiscal years ending on or after December 31, 2020

FMCSA Cluster (a non-COVID-19 program addition) – 20.218/20.237

Objective is to support a safe and efficient surface transportation system including:

- Making targeted investments to promote safe commercial motor vehicle transportation, including the transportation of passengers and hazardous materials;
- Investing in activities likely to generate maximum reductions in the number and severity of commercial motor vehicle crashes and fatalities resulting from such crashes;
- Adopting and enforcing effective motor carrier, commercial motor vehicle, and driver safety regulations and practices consistent with federal requirements; and
- Assessing and improving statewide performance by setting program goals and meeting performance standards, measures, and benchmarks.

Part 4 Existing Program Sections

Existing programs in the Addendum

10.001 USDA - Multiple Program COVID-19 Waivers for Food and Nutrition Service Programs

14.862 Indian Community Development Block Grant

93.153 Coordinated Services and Access to Research for Women, Infants, Children, and Youth

93.914 HIV Emergency Relief Project Grants

93.917 HIV Care Formula Grants

93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

Existing Food and Nutrition Service Programs – 10.001

Section includes reminders about waivers provided due to COVID-19 to the following programs:

- 10.551 - Supplemental Nutrition Assistance Program
- 10.553 - School Breakfast Program
- 10.555 - National School Lunch Program
- 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children
- 10.558 - Child and Adult Care Food Program
- 10.559 - Summer Food Service Program
- 10.572 - Farmer's Market Nutrition Program (This program is not included in the August 2020 Supplement. It is included in 10.001 due to COVID-related waivers and flexibilities provided)

Section states that auditors should obtain the list of waivers from the audited state agency and local agency and adapt the suggested audit procedures to reflect flexibilities provided.

Food and Nutrition Service Programs – 10.001

USDA states in this section that it expects instances when it is not possible to perform certain audit steps as written in the August 2020 Supplement due to COVID-19 and the subsequent closures, as in the case of the public schools

Instructs that such instances should be documented by the auditors

What about the other existing programs in the Addendum?

14.862 adds a special test and provision titled:
Special Provisions for Indian Community
Development Block Grant-CARES Imminent Threat
Grants

As for the other HHS programs:

- Added an indication that the CARES Act added funding to the program
- Added references to agency guidance
- In some cases, identifies waivers relating to CARES Act funding

Part 5 Notices

SFA Notice

Alerts auditors to the fact that there may be requirements in the August 2020 Supplement that have been waived or changed due to COVID-19

Points auditors to a comprehensive website of the COVID-19 issues that auditors should use as a resource in developing their audit testing at:
<https://www.ed.gov/coronavirus?src=feature>

Other Appendix VII
Additions (in addition
to expected audit
extensions)

Donated PPE

Per [OMB Memo M-20-20](#), federal agencies and recipients could donate PPE purchased with federal assistance funds to various entities for the COVID-19 response

- Mostly provided with no compliance or reporting requirements

Nonfederal entities that received such donated PPE should include the fair market value of the PPE at time of receipt in a stand-alone footnote to the SEFA that can be marked “unaudited”

The donated PPE should not be counted for purposes of determining the threshold for a single audit, determining type A/B program threshold for major programs, and is not required to be audited as a major program

Status of guidance documents

Links to agency Web sites and guidance documents in the Addendum communicate an agency's understanding of how relevant statutes, terms and conditions, etc., apply to a particular circumstance

- However, they do not create new compliance requirements

Auditors may consider guidance documents in effect during the period to understand the program requirements

Auditors may conclude whether a nonfederal entity is in compliance with a type of compliance requirement based on consideration of applicable implementing guidance in effect at the time of the activity or transaction

However, auditors should refer to a statute, regulation, or term and condition, as the criteria for an audit finding

Important Reminders

Reminder: SEFA completeness and I/C

As already discussed, testing completeness of SEFA will be especially important this year

- Programs and amounts may be harder to identify for SEFA purposes

Changes in client I/C for one part of the year may result in:

- need for more I/C testing due to control changes;
- the potential for increased compliance sample sizes if controls cannot be relied upon
- Check out AICPA article: [Tips for auditing with changed controls during the pandemic](#)



Reminder: Documentation and auditing remotely

Issues may arise relating to client documentation evidencing compliance due to COVID-19 shutdowns or changes

Preparing audit documentation of key audit decisions reached and judgments made will be critical

On remote auditing

- Check out recent AICPA blog:
<https://blog.aicpa.org/2020/12/how-to-audit-during-a-pandemic-you-asked-we-answered.html#sthash.zfYGGGtO.dpbs>
- Check out this AICPA podcast:
<https://www.journalofaccountancy.com/podcast/coronavirus-guidance-for-auditors-and-financial-statement-preparers.html>.



Reminder: Major program risk evaluation process for new COVID-19 programs

New COVID-19 programs may be high-risk type A programs because they have not been audited before

- Inherent risk is not a criteria for identifying type A program as high risk

New COVID-19 programs could also be type B programs

- In evaluating type B risk need to consider the newness of the programs, among other factors
- **Currently no requirement to select these type B programs for audit or consider them “higher ”risk**
- Documentation important!

COVID-19 funding may change the array of programs you typically audit!

Reminder: Major program risk evaluation process for existing programs with COVID-19 funding

Type A programs that would have otherwise been low-risk would change to high-risk if determination made that changes in personnel or systems due to COVID-19 significantly increased program risk

Effect on type B risk assessments

- Need to consider whether influx of additional funds to existing programs triggers any new risk factors
- Inherent risk may be considered in type B risk assessment

COVID-19 Funding

2 distinct thought processes for Type A and B

Use the MP selection process outlined in the Uniform Guidance

Consider each step carefully!

Reminder: Subrecipient monitoring

Some entities that typically have not acted as a PTE in the past may be in that position now due to CARES funding

From an audit perspective:

- Subrecipient monitoring may be direct and material for first time
- Higher risk area

Reminder: Separate identification of COVID-19-related awards on SEFA

Nonfederal entities should separately identify of COVID-19 expenditures on the SEFA and DCF

- This includes both new and existing programs

SEFA Presentation

- On a separate line by Assistance Listing number with “COVID-19” as a prefix to the program name or on a separate row

SEFA Example:

COVID-19 Temporary Assistance for Needy Families	93.558	\$1,000,000
Temporary Assistance for Needy Families	93.558	<u>\$3,000,000</u>
<i>Total – Temporary Assistance for Needy Families</i>		<u>\$4,000,000</u>

Reminder: DCF presentation example:

Row Number (auto-generated)	CFDA #		Additional Award Identification ³	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total ⁴ (auto-generated)	Cluster Total ⁵ (auto-generated)
	Federal Awarding Agency Prefix ¹	CFDA Three-Digit Extension ²						
					(\$)		(\$)	(\$)
1	93	558		TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$3,000,000.00		\$4,000,000.00	
2	93	558	COVID-19	COVID-19 - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$1,000,000.00		\$4,000,000.00	
Total Federal Awards Expended =					\$4,000,000.00			

Should present on a separate row by Assistance Listing number with “COVID-19” as the first characters in Part II, Item 1c, Additional Award Information, of the DCF

Reminder: Identification of COVID-19 related awards in audit findings

Auditors should include the COVID-19 identification for audit findings that are applicable to COVID-19 new or existing programs

(3) Federal Award Findings and Questioned Costs

2020-001

Grantor: Department of Health and Human Services

Program Name: COVID-19 Temporary Assistance for Needy Families

Federal Award Year: June 1, 2019 through May 31, 2020

Federal Award Numbers: 5PFG789

CFDA Numbers: 93.558

Criteria or Requirement

A non-Federal entity may charge to the Federal award only allowable costs during the period of performance

Appendix VII in August 2020 Supplement does not illustrate how to make the COVID-19 identification in the finding

The example shown here is just one way it might be accomplished

Reminder: Findings

Even prior to the COVID-19 pandemic, federal agencies have been emphasizing that auditor's findings could be improved

Auditors should ensure findings include all required elements

Even more important this year in light of the COVID-19 pandemic due to the potential for an increased number of findings and the likely focus of federal agencies on COVID-19-related findings follow-up

Resources

GAQC summary of new COVID-19 programs and related guidance

- Nonauthoritative summary of new federal COVID-19 programs and whether each is subject to single audit
- Developed based on public information in <https://beta.sam.gov/>; updated periodically
- Open to the public
- Includes relevant links to federal agency Web sites and other pertinent information the GAQC is aware of regarding each program
- [Access the summary](#)

Be sure to check the GAQC Web site regularly to check the “as of” date. If it has changed, you will know there has been an update. Current “as of” date is 11/19/20.

Future GAQC Web events

Tuesday, December 15, 2020, from 2:00 PM to 4:00 PM (ET)

An Audit Primer for Auditors of For-Profit Entities Receiving HHS Provider Relief Funds - Many for-profit entities will be subject to HHS audit requirements for the first time (see [GAQC Alert #418](#)). This event will provide auditors and entities with basic information and best practices about these engagements.

[Register Now](#)

GAQC Single Audit Fundamentals

If you have staff that need the basics, GAQC offering a 4-part session as follows:

Single Audit Fundamental Series. See specific dates and times below for rebroadcasts. [Use this link to register for all 4 parts.](#)

Part 1: What is a Single Audit? A Basic Background and Overview. December 17, 2020, from 11:00 AM – 1:00 PM. [Use this link to register for Part 1 only.](#)

Part 2: Major Program Determination. December 17, 2020, from 2:00 PM – 4:00 PM. [Use this link to register for Part 2 only.](#)

Part 3: Understanding and Testing Compliance Requirements and Internal Control over Compliance. December 18, from 11:00 AM – 1:00 PM. [Use this link to register for Part 3 only.](#)

Part 4: Overview of Sampling and Single Audit Reporting Requirements. December 18, 2020, from 2:00 PM – 4:00 PM. [Use this link to register for Part 4 only.](#)

Additional rebroadcast dates coming soon!

Client resources for first time single audits

Certain entities may have never received enough federal funding to be required to have single audit

- Those entities may be small enough that they also have not had a financial statement audit

GAQC resources for auditees

- **Preparing for your First Single Audit: An Auditee Perspective** ([Audio Playback](#)) ([Access Slides](#))
Originally presented on September 14, 2020.
- [Single Audit Tools, Practice Aids, and Other Resources for Auditees](#)

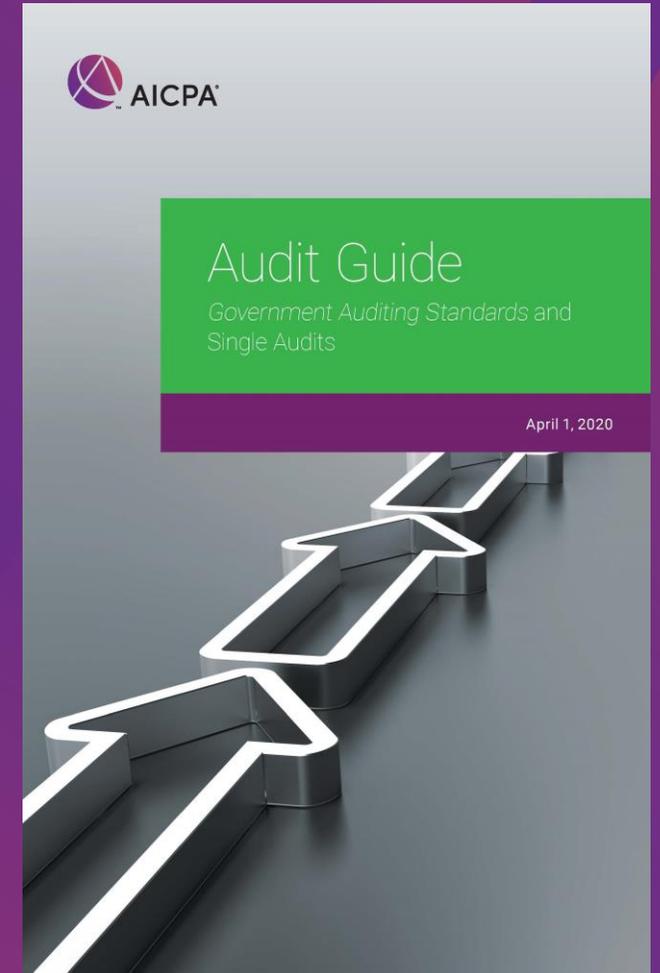
AICPA Audit Guide, *Government Auditing Standards and Single Audits*

Key resource for auditors; you should be using this Guide!

eBook now available and paperback due any day

Key changes:

- *Government Auditing Standards, 2018 Revision*
- Addition of concepts introduced in 2019 *Compliance Supplement*: 6-requirement mandate, internal controls
- New SASs on reporting discussed in a new appendix
- Slight changes to Yellow Book reports



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<http://www.aicpastore.com/>

Panel discussion - What do you think is the most important takeaway from today's Web event?





Thank you