



Single Audit Lightning Round

January 28, 2021

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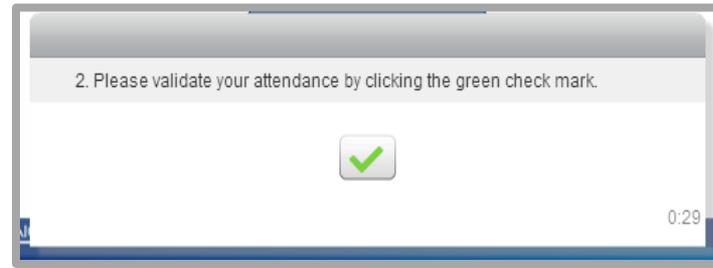
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Today's speakers



Stephen Blann
CPA
Rehmann



Erica Forhan
CPA
Moss Adams



Lindsey Oakley
CPA
BKD



Tom Sneeringer
CPA
RSM

What we will cover

Discussion of COVID-19-related matters, other single audit topics, and common questions the GAQC has received over the past year, including many received during our recent Web events

Topics include:

- *2020 Compliance Supplement* (both the Supplement addendum and the original release)
- Specific questions about new COVID-19 programs
- Major program determination
- SEFA timing issues
- Other common questions
- GAQC and Other AICPA Resources



Recent no-CPE Archived GAQC Web Events

- An Audit Primer for Auditors of For-Profit Entities Receiving HHS Provider Relief Funds (12/15/20)
- 2020 OMB Supplement Addendum and the Latest COVID-19 Single Audit Implications (12/10/20)
- 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/intereareas/governmentalauditquality/resources/single-audit-archived-events.html>

Terminology & Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act	GAQC	Governmental Audit Quality Center
CFR	Code of Federal Regulations	HIV	Human Immunodeficiency Virus
COVID-19	Novel Coronavirus	HHS	Department of Health and Human Services
CPE	Continuing Professional Education	LEA	Local Education Agencies
CRF	Coronavirus Relief Fund	OIG	Office of Inspector General
DCF	Data Collection Form	OMB	Office of Management and Budget
ERA	Emergency Rental Assistance	PPE	Personal Protective Equipment
ESF	Education Stabilization Fund	PRF	Provider Relief Fund
F/S	Financial Statements	Q&A	Questions and Answers
FAC	Federal Audit Clearinghouse	SBA	Small Business Administration
FAQ	Frequently Asked Questions	SEFA	Schedule of Expenditures and Federal Awards
FFATA	Federal Funding Accountability and Transparency Act	SFA	Student Financial Assistance
FSRS	FFATA Subaward Reporting System	UG	Uniform Guidance
FYE	Fiscal Year End		

Supplement Sections and Titles

Table of Contents

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*

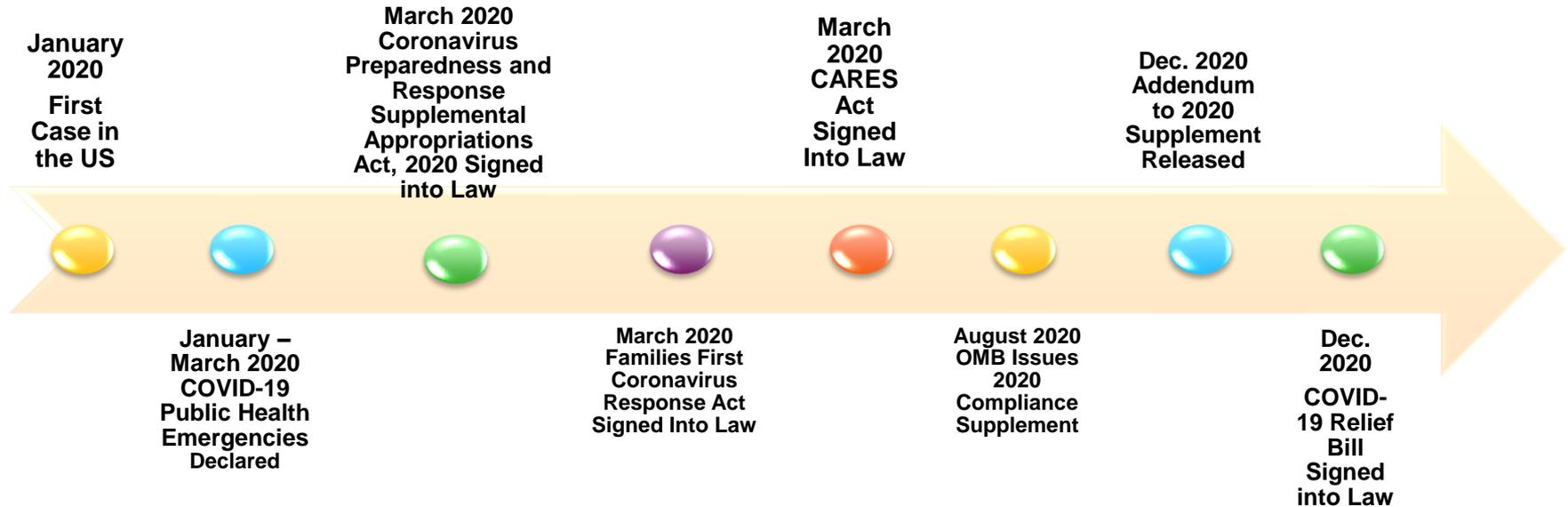
Appendix VII, *Other Audit Advisories*

Appendix VIII, *Examinations of EBT Service Organizations*

Appendix IX, *Compliance Supplement Core Team*

Background and Refresher

Timeline of 2020 pandemic activity relevant to single audits



Will there be more relief funding in 2021??

2020 Compliance Supplement

2020 Supplement issued in 8/2020

- Primarily what was developed prior to COVID-19 pandemic

Supplement addendum issued in 12/2020

- Includes several new COVID-19 programs, several existing programs with changes, and updates to several other sections

All effective for audits of fiscal years beginning after June 30, 2019.

Access [GAQC posting of 2020 Supplement by section](#)

Access [OMB postings](#) of Supplement

2 CFR PART 200, APPENDIX XI
COMPLIANCE SUPPLEMENT



August 2020
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

2 CFR PART 200, APPENDIX XI
COMPLIANCE SUPPLEMENT
ADDENDUM

NOTE: Auditors must use this 2020 Addendum and the 2020 Compliance Supplement together.



December 2020
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

2020 Compliance Supplement – access information

AICPA > Topics of Interest Overview > Governmental Audit Quality Center

Governmental Audit Quality Center

- News & Publications
- Resources
- CPE & Events
- Community
- Membership
- Store

Quick Links

- GAQC COVID-19 Resources
- 2020 OMB Compliance Supplement**
- 2019 OMB Compliance Supplement
- 2018 Compliance Supplement and GAQC Access Tool
- AICPA | CIMA Competency and Learning Website
- Audit Practice Tools & Aids
- Auditee Resource Center
- Illustrative Auditor's Reports
- Schedule of Upcoming GAQC Web Events
- Single Audit

Governmental Audit Quality Center

The Governmental Audit Quality Center (GAQC) promotes the audits and the value of such audits to purchasers of government voluntary membership center for CPA firms and state audit or audits.

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What is a Governmental Audit?
Audits that include a financial statement, governments & NFP

Search within the Governmental Audit Quality Center

Spotlight



Read GAQC Alert #419 for information on the new Supplement addendum Released, 3-Month Extension for Certain Single Audits, New COVID-19 Relief Bill

1 2 3

Access quick link on GAQC home page at www.aicpa.org/GAQC

2020 OMB Compliance Supplement and Related Addendum (By Section)

December 22, 2020



- Learn more about the GAQC
- Access GAQC COVID-19 Resources
- Access GAQC Alerts
- Access archived GAQC Web events

IMPORTANT NOTICE: On December 22, 2020, the Office of Management and Budget (OMB) released the Addendum to the 2020 Office of Management and Budget (OMB) *Compliance Supplement* (the Supplement addendum). See *GAQC Alert #419* and *GAQC Alert #413* for more details about the Supplement addendum and the previously released August 2020 Supplement. Listen also to several GAQC archived no-CPE Web events to learn more about these OMB issuances at: <https://www.aicpa.org/interestareas/governmentalauditquality/resources/single-audit-archived-events.html>.

As a public service, the GAQC has posted both the Supplement addendum and the August 2020 Supplement by individual section below. Each section was excerpted from the official full PDF files which can be found on OMB's Office of Federal Financial Management Web site at: <https://www.whitehouse.gov/omb/management/office-federal-financial-management/>. To assist members, the table below also includes GAQC observations about the Supplement addendum files.

August 2020 Supplement	Supplement Addendum Sections, Including Assistance Listing Numbers	GAQC Observations on the Supplement Addendum
Title Page	Title Page	
Table of Contents	Table of Contents	

- Access the 2020 Supplement and related addendum [on the OMB Web site](#) (one large PDF file)
- Access the 2020 Supplement and addendum by section, along with GAQC analysis [on the GAQC Web site](#)

COVID-19 funding - new programs and impact on existing programs

New programs (3 largest are PRF, CRF and ESF)

Many existing programs received additional COVID-19 funding

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

Panel discussion - What have you found to be most challenging to your single audit practice as a result of the pandemic?



Lightning Round



Frequently
asked
Questions

32:00

RUNDOWN

2020 Supplement

New COVID-19
Programs

Major Program
Determination

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Other Questions

Resources

Lightning round question: audit extension

Is the 3-month audit submission extension provided by the Supplement addendum automatic or do we need to get approval?

Per Appendix VII in the Supplement addendum, the extension does not require individual recipients and subrecipients to seek approval.

However, it adds that recipients and subrecipients should maintain documentation of the reason for the delayed filing.

**2020
Supplement**

Lightning round question: audit extension

Which year-ends does the extension apply to?

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

* 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.

Lightning round question: audit extension

What about all of those previous OMB memos (e.g., M-20-17, M-20-26, etc.) that provided up to a 6-month extension in some cases. Can we still apply those memos?

No. The OMB memos and all previous related extensions have expired.

The Supplement addendum contains the only remaining audit extensions in effect.

Reminder: The previous OMB extensions linked the extension to entities whose operations were impacted by COVID-19. The current addendum links the extension to an entity's "receipt" of COVID-19 funding.

Lightning round question: audit extension

Appendix VII links the extension language to recipients and subrecipients that “received” COVID-19 funding. Is that a mistake since single audits are expenditure-based?

No. Per OMB staff the “receipt” linkage was intentional to permit a broader population of audits to take advantage of the extension since they are aware that many auditors could not complete their audits without seeing the guidance in the Supplement addendum.

**2020
Supplement**

Lightning round question: audit extension

A June 30, 2020, single audit client got normal non-pandemic federal funding and also received PRF funding. They waited for the Supplement addendum for PRF guidance, only to find out that the PRF section instructs that PRF is not to be included on the SEFA until December 31, 2020, and later year-ends. Can we still take advantage of the extension?

Yes. As noted previously, Appendix VII links the extension to the receipt of federal funds. In this case, the entity did receive COVID-19 funding.

If the recipient is concerned this will not be apparent on the final SEFA, there is nothing to preclude a recipient from adding a footnote to the SEFA explaining that they received PRF funding but that, in accordance with the Supplement addendum, it is not permitted to be included in the scope of the single audit until the following year.

Lightning round question: audit extension

Will the FAC somehow acknowledge that an entity was eligible to take the extension? If not, how will it be apparent to the federal government?

The FAC staff has informed us that they will just date submissions the way they always have in their system. It will be up to auditors and federal agencies to determine if the submission was on time or not and whether the extension applies when determining low-risk auditee status in the subsequent year.

Therefore, the documentation supporting the reason for the delayed filing by recipients and subrecipients is very important.

**2020
Supplement**

Lightning round question: addendum timing

I have a client with a May 31, 2020, year-end that we are just starting now due to pandemic-related delays. Technically, the 2020 Supplement addendum does not apply to that year-end. Can I still use it to test new COVID-19 programs?

To be technically correct, you should use Part 7 of the 2019 Supplement to determine the compliance requirements to test since COVID-19 programs were not included in that Supplement.

Audit documentation should evidence the use of Part 7.

However, in using the Part 7 guidance, auditors could refer to the 2020 Supplement addendum sections as a source for identifying key compliance requirements and other information about the program.

Lightning round question: addendum timing

We completed a June 30, 2020, single audit with a new COVID-19 program prior to the Supplement addendum's release. We determined the compliance requirements to test and audit procedures the best we could based information available to us on the agency Web site and other sources. What should we do now?

While many single audits with COVID-19 funding were held up until the Supplement addendum was issued, that could not occur in every case

Appendix VII of the 2020 Supplement acknowledges this possibility and states that “Reports issued prior to the publication of the addendum are not required to adhere to the requirements in addendum.”

Appendix VII also included a stipulation stating that “The auditor must use the framework provided by Part 7 of this Supplement” in this case.

Lightning round question: PPE footnote

Appendix VII in the Supplement addendum states that the fair market value of donated PPE at the time of receipt should be included as a stand-alone SEFA footnote. Can you shed any light on this requirement?

Donated PPE (from a federal source) was mostly provided without any compliance or reporting requirements or Assistance Listing (previously referred to as CFDA number) information from the donors

Determining fair market value at the time of receipt may be challenging for auditees to determine

Appendix VII allows the footnote to be marked unaudited

The amount of donated PPE should not be counted for (1) The threshold for a single audit; (2) determining the type A/B threshold for major programs.

Donated PPE is not required to be audited as a major program

Keep in mind that there could be some PPE that should appear on the SEFA as a federal program (e.g., the recipient used funds provided under an Assistance Listing to purchase PPE)

Lightning round question: PPE footnote

Should entities without donated PPE affirmatively state in the notes to the SEFA that there was no donated PPE?

This is not a requirement; however, there is nothing to preclude an entity from doing this to avoid the potential for future questions

**2020
Supplement**

Lightning round question: FFATA

I remember at least 7 or 8 years ago we had to look at FFATA as part of the reporting requirement. It was removed and now is being added back. What gives?

You are correct; it did used to be part of the reporting compliance requirement in the Supplement

It was removed due to data issues between FSRS (the input system) and USAspending.gov (the external Web site)

The Supplement addendum focuses the auditors testing on the input system – that is, FSRS

**2020
Supplement**

Lightning round question: FFATA

I'm confused about the effective date of this FFATA addition. Does it just apply to COVID-19 programs? All programs? When?

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

Lightning round question: FFATA

The Supplement addendum includes several programs that appear to be non-COVID-19-related (e.g., new Transportation program, sections on SFA and Agriculture programs, etc.) Do FFATA audit requirements apply to those programs for year-ends through September 30, 2020?

No. FFATA audit requirements for year-ends through 9/30/20, only relate to the new COVID-19 programs included in the addendum, and existing programs where the agency included the full program with COVID-19 modifications

- The new Transportation is not a COVID-19 program
- The other program sections (e.g., SFA and Agriculture) are simply emphasizing program waivers and flexibilities due to COVID-19 and are not considered COVID-19 programs for this purpose.

Lightning round question: FFATA

Does the FFATA reporting requirements apply to the CRF program for fiscal years ended after 9/30/20 since the Supplement addendum says after this date FFATA applies to all major programs?

No. Per [Treasury OIG FAQ](#) (#31), FFATA reporting is not required for CRF.

Therefore, auditors auditing CRF as a major program are not expected to test FFATA as part of work done on the reporting type of compliance requirement for any audit period.

2020
Supplement

Lightning round question: FFATA

For year-ends after 9/30/20 when does FFATA apply to major programs from an audit perspective?

FFATA would apply in the following circumstances:

- Client is a direct recipient and makes subawards/subcontracts over \$25K
- Part 2 matrix for a major program indicates “Reporting” is a “Y”
- There has been no exception to FFATA reporting for the program provided by the federal agency

**2020
Supplement**

Lightning round question: FFATA

Part 3 in the Supplement addendum states that the information we need to test is in a system (FSRS) that is only accessible by the recipient. That seems unusual. How do we address that? Do you see challenges?

Per Part 3, auditors will need to coordinate with auditees regarding the auditor's review of the information, either physically or virtually

May have to:

- Sit with the client physically or remotely while they log into the system and screenshare
- Obtain screenshot evidence

Pandemic makes addressing this in-person more challenging right now

FFATA Case Study

Fact pattern:

- Client has 9/30/20 year-end
- Client was a direct recipient and has the following major programs related to the new Supplement addendum:
 - 16.034 (Coronavirus Emergency Supplemental Funding)
 - 21.019 (CRF)
 - 93.914 (HIV Emergency Relief Project Grants)
- Client made subawards of greater than \$25K from all 3 of the above Assistance Listing numbers
- Client also received federal financial assistance as a direct recipient under other Assistance Listing numbers that do not appear in the Supplement addendum, including some that received new COVID-19 funding

FFATA Case Study – steps 1 and 2

Step 1 - Is reporting noted as subject to audit for the new and existing COVID-19 programs in the Supplement addendum?

Assistance Listing	Is Reporting noted as “Y” in Part 2 matrix?
16.034	Y
21.019	Y
93.914	Y

Step 2 – Do any of the above programs carve out FFATA as “not applicable?”

- **Yes; as noted previously, Treasury has indicated FFATA does not apply to CRF (21.019)**

FFATA Case Study – step 3 – determine which major programs that FFATA audit requirements will apply to

FFATA requirements will apply to the following:

- 16.034 (Coronavirus Emergency Supplemental Funding)
- 93.914 (HIV Emergency Relief Project Grants)

Why?

- Both have “Y” for reporting in matrix
- Client is a direct recipient for both
- Client made subawards greater than \$25K for both
- No agency exception for FFATA for these programs

FFATA audit requirements will not apply to any other major programs until the next year’s single audit (assuming FFATA criteria met)



23:00

RUNDOWN

2020 Supplement

**New COVID-19
Programs**

**Major Program
Determination**

**SEFA Timing
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Lightning round question: Coronavirus Relief Fund

Can the CRF be charged for indirect costs according to the entity's indirect cost rate?

No. [CRF Guidance from Treasury](#) states:
“Payments from the Fund are not administered as part of a traditional grant program and the provisions of the Uniform Guidance, 2 C.F.R. Part 200, that are applicable to indirect costs do not apply. Recipients may not apply their indirect costs rates to payments received from the Fund.”

New COVID-19 Programs

Lightning round question: Coronavirus Relief Fund

I'm confused over guidance Treasury has put out about the meaning of subrecipient and beneficiary. Can you help explain it?

For subrecipients, the confusion initially resulted from CRF FAQs which defined “subrecipient” for reporting into the CRF portal in a manner different than the UG

- [Treasury OIG FAQs](#) clarify that the prime recipient must comply with both the UG definition as it relates to the single audit and Treasury OIG's definition as it relates to reporting requirements

For beneficiaries, Treasury has defined the term differently than the UG

- A beneficiary can include an individual or an entity per Treasury FAQs

New COVID-19 Programs

Lightning round question: Coronavirus Relief Fund

Treasury CRF has a provision where LEAs are not required to document the specific use of funds up to \$500 per student. How do we audit this?

Professional judgment will be needed

Consideration of client internal control over the process

Double dipping considerations

New COVID-19 Programs

Lightning round question: Coronavirus Relief Fund

What happened to the CRF FAQs and Guidance documents? I don't see them on the Treasury Web page anymore.

Treasury has formalized its CRF guidance and FAQs in a very [recent FR notice](#)

The [Treasury CRF Web page](#) includes a link to that notice and many other resources

Keep in mind that the Treasury OIG is also issuing guidance and FAQs on its [CARES Act Reporting and Record-Keeping Information page](#).

Lightning round question: Educational Stabilization Fund

For 84.425, does the recipient need to include the alpha characters A, B, C, etc., on the face of the SEFA? What about the Data Collection Form?

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

DCF presentation of alpha characters is not addressed in ESF Supplement addendum.

- Nothing to preclude the entity from including the alpha character information; would likely have to use the “other identifier” section

New COVID-19 Programs

Lightning round question: Educational Stabilization Fund

For ESF funding, if the recipient has 84.425 C, E and F, would you test those together, similar to a cluster, or would you be auditing them each separately?

Must evaluate 84.425 in its entirety (also must consider two separate sections in Supplement addendum if have funding under various “subprograms”)

May be able to take advantage of some internal control testing across various subprograms depending on facts and circumstances

For compliance purposes, would be considered a single population but will need to consider representation and criteria

- Refer to [GAQC archived events](#) on single audit sampling

Lightning round question: Provider Relief Fund

I saw that the PRF Supplement addendum section directs that PRF will not appear on SEFAs until 12/31/20 or later. My client also received \$950,000 in funding under 93.461. Does that mean I still need to do a single audit?

Yes. The PRF provisions regarding the timing of SEFA inclusion does not extend to other HHS programs.

A single audit would have to be performed with 93.461 tested as a major program.

New COVID-19 Programs

Lightning round question: Provider Relief Fund

Has HHS issued its reporting guidance for PRF yet?

HHS issued reporting guidance on 1/15/21;
[access the guidance](#).

HHS plans to hold question and answer sessions
and to issue FAQs to provide greater clarity

Currently, the reporting portal is only currently
open for registration; [access registration
information](#).

**New COVID-
19 Programs**

Lightning round question: Provider Relief Fund

Any more clarity on the concept of lost revenue for PRF yet?

Has been a long and winding road with many pivots by HHS

The COVID-19 Economic Relief Bill included a provision stating that providers may calculate lost revenues using the June 2020 version of HHS FAQs

The recently released HHS reporting guidance provides several options for determining lost revenue

Stay tuned for future HHS guidance (see prior slide)

New COVID-19 Programs

Lightning round question: Provider Relief Fund

Has the GAQC gotten any more clarity around the audit requirements for for-profit entities receiving PRF?

The GAQC has set up a meeting in early February to discuss for-profit PRF auditing considerations with HHS staff

For now, the most recent information we have is included in the archive of our 12/15/20 GAQC Web event, [*An Audit Primer for Auditors of For-Profit Entities Receiving PRF*](#)

New COVID-19 Programs

Lightning round question: Emergency Rental Assistance

I see the recent COVID-19 Emergency Relief Bill establishes a new Treasury ERA Program. What do you know about it?

Funding already being released

Going to states, US territories, local governments (population greater than 200K) and tribal entities

Will be subject to single audit

Treasury has already established an [ERA Web site](#)

Lightning round question: Shuttered Venue Operator Grant

There is a new Shuttered Venue Operator Grant that my not-for-profit client is planning to apply for. Is it subject to single audit?

Established by the COVID-19 Economic Relief Bill

Program administered by SBA and going to shuttered venues, theaters, museums, etc.

SBA has not yet provided an answer to the question of single audit applicability

Access more information about the program on [SBA Shuttered Venue Operator Grant Web page.](#)

New COVID-19 Programs



Frequently
asked
Questions

10:00

RUNDOWN

2020 Supplement

New COVID-19
Programs

Major Program
Determination

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Lightning round question: major program determination impact

Are new programs receiving COVID-19 funding considered automatically high risk?

New COVID-19 programs that are Type A would be considered high risk in first year as they would not have been audited in one of the two prior years

New COVID-19 programs that are Type B have not been designated as automatic “higher” risk

- Would evaluate these Type B as you normally would

**Major
program
determination**

Lightning round question: major program determination impact

Significant new COVID-19 money was received by my client for 93.558 (TANF) which was an existing program. Does that make the entire Type A program high risk even though 93.558 would have been otherwise considered low risk?

The significant addition of funding alone would not make it automatically high risk – remember, the auditor is not able to use judgment to override the low-risk type A conclusion based on the inherent risk of a federal program

Auditor should follow the risk assessment steps in the UG (see next slide)

Lightning round question: major program determination impact

If a Type A program was audited as a major program in one of the prior 2 years, and there were no findings, the only 3 things that can make a Type A program high risk are:

- Oversight exercised by federal agencies and pass-through entities as described in 2 CFR 200.519(c) (for example, results of recent monitoring or other reviews or indication in the Office of Management and Budget (OMB) *Compliance Supplement (Compliance Supplement)* that a federal agency has identified a federal program as higher risk
- The results of audit follow-up; or
- Any changes in personnel or systems affecting the program

Some programs with significant COVID-19 funding additions could have had changes in personnel or systems but will depend on facts and circumstances

Lightning round question: major program determination impact

Reminder of Type B risk criteria

- Current and prior audit experience
- Weaknesses in internal control over federal programs
- Prior audit findings
- Federal program not recently audited as major
- Oversight exercised by federal agencies and pass-through entities
- Inherent risk of noncompliance of the federal programs

**Major
program
determination**



16:00

RUNDOWN

2020 Supplement

**New COVID-19
Programs**

**Major Program
Determination**

**SEFA Timing
Questions**

Other Questions

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SEFA Timing Questions

Many questions have come in on this topic

- Challenges around determining when there is an award
- Challenges because many of the new programs provide for a period of performance and allow for application of costs (or lost revenue, as applicable) incurred in periods both before and after the award existed and often spanning more than one fiscal year of the nonfederal entity

Not really new issues, but occurring at a level not encountered before for many

GAQC working on a nonauthoritative practice aid

- Let's take a sneak peak!

SEFA Timing

Award determination challenges

For expenditures (or lost revenue, as applicable) to be reported on the SEFA in a particular period, there should be an award

While an award date may be clear in some cases, in many other cases there may not be a signed and dated award document, particularly when the auditee is a subrecipient.

- Professional judgment may be needed to determine an exact award date

Determining an award date

Procedures auditors may consider for determining the appropriateness of the “award date” used by the auditee include:

- inquiries of management regarding the facts and circumstances surrounding award arrangements; and
- reviewing client supporting records such as Board minutes, e-mail correspondence, or instructions provided to a subrecipient from a pass-through entity for claiming expenditures.

Let's look at a few nonauthoritative scenarios for an accrual basis SEFA

Definitions for terms used on next slides

Awarded = The time at which an award is determined to exist. Determining when there is an award may involve judgment and be based on facts and circumstances.

Advanced = The time at which funding from the federal government (or pass-through entity) is transferred to a nonfederal entity.

Costs applied to award = The time at which the nonfederal entity makes an internal decision to apply costs incurred to an award and then transfers the costs incurred from nonfederal sources to the award. This concept is not tied to any specific external reporting to the federal government (or pass-through entity).

Costs incurred = Allowable expenditures made from nonfederal sources.

FYE = Fiscal Year End (for the purpose of these scenarios it is assumed to be June 30, 2020).

Lost Revenue = A concept permitted for purposes of SEFA reporting in several of the new CARES programs (e.g., PRF, select ESF sub-programs); see respective federal agency guidance to determine how it is to be calculated.

The determination of the reporting of expenditures (or lost revenue, as applicable) on the SEFA is independent of the determination of revenue recognition under GAAP.

SEFA Timing Issues (excluding PRF)

Scenario 1: Costs Incurred are Applied to an Award as They are Incurred

Mar-20	Apr-20	Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$1 M	\$1 M	\$100K	\$200K	\$400K			\$300K	
Awarded	Advanced	<ul style="list-style-type: none"> Costs incurred Costs applied to award 	<ul style="list-style-type: none"> Costs incurred Costs applied to award 	<ul style="list-style-type: none"> Costs incurred Costs applied to award 			<ul style="list-style-type: none"> Costs incurred Costs applied to award 	Release F/S and Single Audit

What expenditures should be reported in the SEFA at 6/30/20 FYE?

\$700K (i.e., sum of costs incurred Apr-Jun 20)).

What impact, if any, would this scenario have on a subrecipient's SEFA if the \$1M awarded was in the form of a subaward from a pass-through entity?

None. The subrecipient would report \$700K in expenditures on its 6/30/20 SEFA when the costs were incurred.

What impact, if any, would there be if this scenario was altered so that the month that the federal funds were advanced to the nonfederal entity changed from Apr-20 (fiscal year 2020) to Jul-20 (fiscal year 2021)?

None. If, using the guidance in the "Assumptions Used/Other Guidance" section above, a determination is made that an award exists and there are qualifying costs incurred prior to the 6/30/20 FYE, the timing of cash received would not change the fiscal year for which costs incurred would be reported on SEFA.

The determination of the reporting of expenditures (or lost revenue, as applicable) on the SEFA is independent of the determination of revenue recognition under GAAP.

SEFA Timing Issues (excluding PRF)

Scenario 2: Decision to Apply Costs to an Award Occurs in a Different Fiscal Year than When Costs Incurred

Mar-20	Apr-20	Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$1 M	\$1 M	\$100K	\$200K	\$400K			\$300K	
Awarded	Advanced	▪ Costs incurred	▪ Costs incurred	▪ Costs incurred		Costs applied to award from Apr-20, May-20 & Jun-20	▪ Costs incurred	Release F/S and Single Audit

What expenditures should be reported in the SEFA at 6/30/20 FYE?	\$700K (i.e., sum of costs incurred Apr-Jun 20)). The fact that the nonfederal entity did not make the decision to apply costs incurred to the award until after FYE is not relevant to when SEFA reporting occurs in this scenario.
What impact, if any, would this scenario have on a subrecipient's SEFA if the \$1M awarded was in the form of a subaward from a pass-through entity?	None. The subrecipient would report \$700K in expenditures on its 6/30/20 SEFA when the costs were incurred.

The determination of the reporting of expenditures (or lost revenue, as applicable) on the SEFA is independent of the determination of revenue recognition under GAAP.

SEFA Timing Issues (excluding PRF)

Scenario 3: Award is Made in the Subsequent Fiscal Year from When Costs Incurred but the Award Allows Costs Incurred from the Previous Fiscal Year to be Charged to the Award.

Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$100K	\$200K	\$400K		\$1M	\$300K	
▪ Costs incurred	▪ Costs incurred	▪ Costs incurred		Awarded Costs applied to award from Apr-20, May-20 and Jun-20	▪ Costs incurred	Release F/S and Single Audit

What expenditures should be reported in the SEFA at 6/30/20?

\$0 (i.e., because there was no award until Jul-20)

What expenditures should be reported in the SEFA at 6/30/21?

\$1 M (i.e., sum of costs incurred Apr-Aug 20)

A reminder on PRF

HHS has addressed timing of SEFA reporting for PRF expenditures and lost revenue in the PRF section of Supplement addendum

For single audits of fiscal years ending in 2020 on or before 12/30/20, the entity reports no PRF expenditures (including no lost revenue).

For a fiscal year end of 12/31/20, the entity reports on the SEFA as expenditures (including lost revenue) based upon the PRF report for calendar year ending 12/31/20, and discloses in the footnotes to the SEFA that the amount included on the SEFA is based upon the 12/31/20 PRF report.

See the Other Information section for further SEFA reporting guidance relating to fiscal years ending in 2021.

SEFA Timing



Frequently
asked
Questions

10:00

RUNDOWN

2020 Supplement

**Major Program
Determination**

**SEFA Timing
Questions**

**New COVID-19
Programs**

Other Questions

Resources

Lightning round question: internal control

Are there any different internal control considerations we should be thinking about in light of the pandemic?

Auditors need to consider the following:

- Were there changes to auditee operations due to pandemic (e.g., remote working)?
- Are there new controls or revised controls for existing programs due to new funding?
- Have there been compliance requirement changes, flexibilities, waivers due to pandemic?

There may be a need for more internal control testing or increased compliance sample sizes if controls cannot be relied upon

Documentation of internal control understanding, testing, etc., more important than ever

**Other
questions**

Lightning round question: compliance testing

What compliance audit considerations do I have for existing programs that received additional COVID-19 funding and were not in the Supplement addendum.

Need to determine if flexibilities or waivers provided by agency (see GAQC summary of new programs for links to agency guidance)

Keep in mind Appendix VII states that the auditor must perform reasonable procedures to ensure the compliance requirements identified as subject to audit in Part 2 matrix are current; may consider

- Inquiring of management about communications from agencies
- Reviewing terms and conditions (which may have changed over time to add new requirements or revise requirements)

Lightning round question: defining the entity to be audited under the Uniform Guidance

My not-for-profit client wants to have the single audit done at a subsidiary level instead of at the “consolidated” entity as a whole. Can they do this?

Yes. Per the UG, the audit must cover the entire operations of the auditee but offers an option for the entity to choose to do a series of audits by department, agency, or other organizational unit

If series of audit approach selected, each audit must encompass the financial statements and SEFA for each entity

The financial statements and SEFA must also be for the same audit period.

**Other
questions**

Lightning round question: stand-alone single audit

We issued our financial statement audit and now will be following up with issuing a separate stand-alone single audit. What considerations should we be thinking about?

UG reporting should be dated at later date (i.e., when the auditor has obtained sufficient appropriate audit evidence to support the report on the audit of compliance)

The auditor should adapt and apply the applicable requirements and guidance from AU-C section 560B, *Subsequent Events and Subsequently Discovered Facts*

“60 day” considerations under AU-C 265, *Communicating Internal Control Matters*

Stand-alone single audit (continued)

Several options for SEFA reporting need to be considered

- In report on F/S
- In the UG report on compliance and internal control over compliance, or
- In a separate report

Dating considerations

**Other
questions**



3:00

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2020 Supplement

**Major Program
Determination**

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Questions**

**New COVID-19
Programs**

Other Questions

Resources

GAQC COVID-19 Resources

- [Access the Web page](#)
- Includes links to all relevant *GAQC Alerts*, Web events, and practice aids (e.g., GAQC summary of new COVID-19 programs and related guidance)
- Also includes a [downloadable PDF](#) of all resources

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[GAQC COVID-19 Resources](#)

[2020 OMB Compliance Supplement](#)

[2019 OMB Compliance Supplement](#)

[2018 Compliance Supplement and GAQC Access Tool](#)

[AICPA | CIMA Competency and Learning Website](#)

[Audit Practice Tools & Aids](#)

[Auditee Resource Center](#)

[Illustrative Auditor's Reports](#)

[Schedule of Upcoming GAQC Web Events](#)

[Single Audit](#)

Future GAQC Web events

February 17, 2021, Government Auditing Standards Fundamentals
(offering this event to assist the many auditors that are performing audits under the Yellow Book for the first time due to pandemic funding)

March 11, 2021, Uniform Guidance Revisions: What You Need to Know

April 13, 2021, Navigating State and Local Government Component Units

May 4, 2021, Annual Required GAQC Webcast

May 20, 2021, State and Local Government Audit Planning Considerations

June 30, 2021, 2021 OMB Compliance Supplement and Single Audit Update

GAQC Single Audit Fundamentals

If you have staff that need the basics, GAQC will be rebroadcasting this 4-part session on February 15-16 and April 22-23

Single Audit Fundamental Series. See specific dates and times below for rebroadcasts.

Part 1: What is a Single Audit? A Basic Background and Overview.

Part 2: Major Program Determination.

Part 3: Understanding and Testing Compliance Requirements and Internal Control over Compliance.

Part 4: Overview of Sampling and Single Audit Reporting Requirements

[Access registration information](#) (for all parts or individual parts)

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](#)

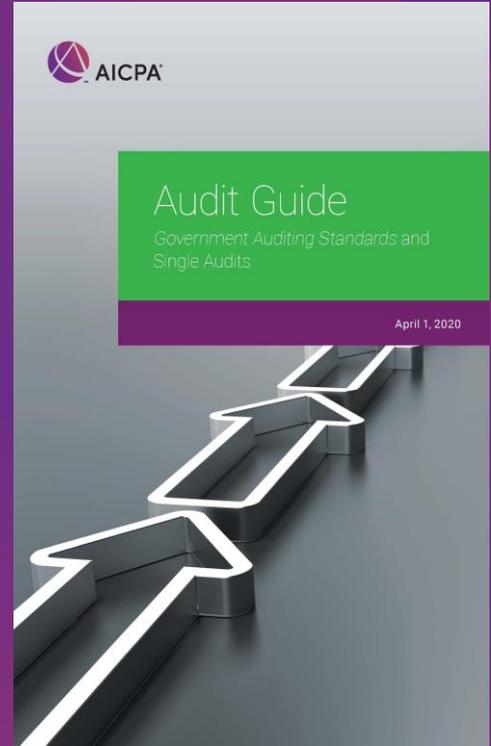
AICPA Audit Guide, *Government Auditing Standards and Single Audits*

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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Panel discussion – What are the most important takeaways from today for our attendees?



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- If you need assistance with locating your certificate, please contact the AICPA Service Center at 888.777.7077 or service@aicpa.org.





Thank you