



2021 Compliance Supplement and Single Audit Update

July 27, 2021

Today's speakers.



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What we will cover

Key changes expected in the 2021 OMB *Compliance Supplement* (Supplement)

2021 expected challenges and other updates

Resources

- Federal
- GAQC/AICPA

Terminology and abbreviations

AL#	Assistance listing number	GEER	Governor's Emergency Education Relief Fund
ARP	American Rescue Plan Act	HEERF	Higher Education Emergency Relief Fund
CARES Act	Coronavirus Aid, Relief, and Economic Security Act	HHS	U.S. Department of Health and Human Services
CFDA	Catalog of Federal Domestic Assistance	HRSA	U.S. Health Resources & Services Administration
CRF	Coronavirus Relief Fund	HUD	Housing and Urban Development
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act	IHE	Institutions of Higher Education
CSLFRF	Coronavirus State and Local Fiscal Recovery Fund	Interior	U.S. Department of the Interior
CPE	Continuing Professional Education	NIH	National Institutes of Health
DCF	Data Collection Form	NSF	National Science Foundation
DoD	U.S. Department of Defense	NFP	Not for Profit Organization
EANS	Emergency Assistance to Non-public Schools	OIG	Office of Inspector General
ED	U.S. Department of Education	OMB	Office of Management and Budget
Energy	U.S. Department of Energy	PRF	Provider Relief Fund
ESF	Education Stabilization Fund	PTE	Pass Through Entity
ESSER	Elementary and School Secondary Relief Fund	SEFA	Schedule of Expenditures of Federal Awards
FEMA	Federal Emergency Management Agency	SFA	Student Financial Assistance Cluster
FFATA	Federal Funding and Accountability and Transparency Act	SLG	State and Local Government
FSA	Federal Student Aid	Supplement	OMB Compliance Supplement
FYE	Fiscal Year End	TIN	Taxpayer Identification Number
GAAP	Generally Accepted Accounting Principles	Treasury	U.S. Department of the Treasury
GAGAS/Yellow Book	Generally Accepted <i>Government Auditing Standards</i>	Transportation/DOT	U.S. Department of Transportation
GAO	Government Accountability Office	UG	Uniform Guidance

Supplement sections and titles

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Single Audit – Key events in past 17 months



Much of the activity in this timeline had significant single audit impact.

The largest COVID-19 federal programs to date

NEW



Coronavirus State and Local Fiscal Recovery Fund (\$350B)

Federal Agency: Treasury
Governmental entities and tribes

Is subject to single audit

AL#: 21.027

Provider Relief Fund (\$175B)

Federal Agency: HHS
For-profits, NFPs, governmental entities

Is subject to single audit

AL#: 93.498

This COVID-19 funding will greatly impact the programs that will be audited as major programs!

MORE \$



Educational Stabilization Fund (\$278B)

Federal Agency: Education
States, schools, IHE

Is subject to single audit

AL#: 84.425

Coronavirus Relief Fund (\$150B)

Federal Agency: Treasury
Governmental entities and tribes

Is subject to single audit

AL#: 21.019

Assistance Listing number (AL#) is the new name for CFDA number

Breaking news items to pique your interest!

2021 *Compliance Supplement* nearing completion (first release)

- Similar to last year, a follow-up Addendum will be issued

We will have new guidance in the Supplement for addressing COVID-19 funding including some programs that will be identified as “higher risk”

- May impact major program determination!

The first single audits that will include PRF are for June 30, 2021, year-ends and later

- Recent HHS guidance supersedes previous HHS guidance which had indicated that PRF would be included in 12/31/20, year-end single audits

Between PRF and the new CSLFRF we are anticipating at least 10,000 new single audits if not more!

Key changes anticipated in the 2021 Supplement

WARNING!

**PRESENTATION BASED ON VETT DRAFT OF
2021 SUPPLEMENT WE REVIEWED**

**REVIEW THE FINAL 2021 SUPPLEMENT
CLOSELY FOR ANY CHANGE AND WATCH FOR
FUTURE *GAQC ALERTS***



Background, timing, and effective date

2021 Supplement to be issued in multiple parts again this year

First part -

- Expected in Summer 2021
- Effective for audits of fiscal years beginning after June 30, 2020
- OMB will post one single PDF file upon issuance
- GAQC will post the 2021 Supplement by section on our Web site shortly after OMB publishes it

Subsequent parts–

- Certain new ARP programs will be issued separately in an Addendum that will be posted to [cfo.gov](https://www.cfo.gov) (timing and format uncertain)

Watch GAQC Web site and future *GAQC Alerts* for updates

2021 Supplement – Appendix V

Appendix V is a roadmap of changes

- It identifies all changes at a high level
- Identifies specific programmatic changes by Assistance Listing number
- Should be one of the first things you review once 2021 Supplement is issued

Expectations for first 2021 Supplement release

Regular updates for new and deleted programs and updates to existing programs

An updated Part 3 addressing recent updates to the UG

A Part 5 cluster list that should be final

An Appendix IV identifying higher risk programs and the implications of a program being identified as higher risk

An updated appendix VII that includes OMB plans for issuing additional programs and other COVID-19 details

A point of clarification on the meaning of COVID-19 funding in Year 2

In year 1 of the pandemic the meaning of “COVID-19 funding” was more intuitive (primarily from CARES Act)

In Year 2 of the pandemic, it includes all new programs and existing programs (subject to single audit) from the following:

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act
- Coronavirus Response and Relief Supplemental Appropriations Act
- American Rescue Plan Act

FYI: OMB has been polling agencies to identify (1) new ARP programs (and whether subject to single audit) and (2) which existing programs received ARP money. Appendix VII states that OMB will post this information on cfo.gov when it is available.

2021 Supplement – Part 2 Matrix

Will identify changes to requirements subject to audit

- Requirements that were changed from a “Y” to a “N” or from a “N” to a “Y” since the last Supplement will be shown in bold (and highlighted in yellow) in the matrix

Not many programs are expected to modify the requirements subject to audit this year

- Check the matrix to be sure!

REMINDER: 6-requirement mandate continues

2021 Supplement – Part 3

Approach to implementing UG revisions different as compared to prior UG implementation

- No Part 3.1 and 3.2 as was used in prior UG implementation
- Instead, UG revisions will be incorporated in Part 3 throughout

Reminder

- Two sections of new UG were effective upon issuance on August 13, 2020 (Prohibition on certain telecommunication and video surveillance services or equipment AND terminations)
- All other UG revisions are effective for federal awards made on or after 11/12/20

Key UG changes affecting Part 3

Definitional changes

Period of performance

Procurement

Performance and financial monitoring and reporting

Requirements for pass-through entities

Indirect costs

Refer to [UG FAQs](#) for additional OMB guidance on certain of the above topics and others!

Electronic Code of Federal Regulations

We invite you to try out our new beta eCFR site at <https://ecfr.federalregister.gov>. We have made big changes to make the eCFR easier to use. Be sure to leave feedback using the Feedback button on the bottom right of each page!

e-CFR data is current as of **April 26, 2021**

[Title 2](#) → [Subtitle A](#) → [Chapter II](#) → [Part 200](#)

TITLE 2—Grants and Agreements

Subtitle A—OFFICE OF MANAGEMENT AND BUDGET GUIDANCE FOR GRANTS AND AGREEMENTS

CHAPTER II—OFFICE OF MANAGEMENT AND BUDGET GUIDANCE

PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

Subpart A—ACRONYMS AND DEFINITIONS

Acronyms

Definitions

Reminder: FFATA reporting requirement

2021 Supplement Part 3 includes FFATA requirement (reintroduced in 2020 Addendum) which applies to all major programs regardless of whether COVID-19 funding is involved 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 (bumped to \$30K in new UG) to report subaward data through the FFATA Subaward Reporting System

New data element added to the list of key data elements that compliance testing must include: “Subawardee Names and Compensation of Highly Compensated Officers”

Although the CRF program identifies Reporting as Y, CRF is not subject to FFATA reporting based on [Treasury OIG Reporting Guidance \(FAQ 31\)](#).

Learn more about FFATA on the [GAQC Web event archive](#) on the 2020 Addendum

Challenge area – status of UG agency adoption

Federal agencies need to adopt the new UG in their agency regulations

- Several key agencies have not adopted (DoD, HHS, Energy, Interior, Transportation)

Appendix II in 2021 Supplement will identify which agencies have adopted

- Will state that for those agencies that have not adopted, the auditor must check the award's terms and conditions for applicability of the UG revisions

Agencies that are automatic

- Commerce
- Homeland Security
- Gulf Coast Restoration Council
- HUD
- Institute of Museum and Library Services
- National Endowment for Arts
- National Endowment for Humanities
- Office of the National Drug Control Policy
- Social Security Administration
- Veterans Affairs

Other new guidance in Part 3

Procurement threshold changes

- For awards subject to the revised UG where the agencies adopted the new UG after November 12, 2020, or still have not adopted the UG, Part 3 will instruct that no finding is to be reported

Clarification made to reporting for special/performance reporting section

- If no key line items identified in Parts 4 or 5 for such reports, Part 3 will instruct that auditors only need test whether the report was submitted
- If key line items identified in Parts 4 or 5 for such reports that are not quantifiable or capable of evaluation against objective criteria, auditors are not expected to perform testing of such items

New and deleted program/clusters that we are aware of – there could be more!

New

10.579 Child Nutrition Discretionary Grants Limited Availability (added to Child Nutrition Cluster)

20.816 Marine Highway Grant Program

20.823 Maritime Administration - Port Infrastructure Development Program

Deleted

- 11.557 Broadband Technology Opportunities Program
- 10.606 Foreign Food Aid Donation Cluster

Example of other programs with significant expected changes that we will not discuss

Many programs have changes relevant to the COVID-19 pandemic

Examples of specific programs with expected significant change:

14.218 – Community Development Block Grants/Entitlement Grants

14.231 – Emergency Solutions Grant Program

14.256 - Neighborhood Stabilization Program (Recovery Act Funded)

84.041 – Impact Aid

84.287 – Twenty First Century Community Learning Centers

93.667 – Social Services Block Grant

Existing programs with changes that we will cover in more detail

- ESF (including ESSER and HEERF) - 84.425
- CRF - 21.019
- PRF - 93.498
- Student Financial Assistance cluster
- HRSA COVID-19 Uninsured Program - 93.461
- Medicaid cluster - 93.775/93.777/93.778

ESF overview

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

K-12 entities often refer to this program as ESSER

Colleges generally refer to this program as HEERF

- Granted in 3 tranches: HEERF I, II and III
- Each tranche has a student and institutional piece
- Includes reimbursement for lost revenue

This program is divided into grant types or subprograms designated by letters

**CFDA #
84.425**

Education

**CARES,
CRRSAA and
ARP funded**

**States,
colleges, K-12
\$278B**

ESF expected updates

Same approach as 2020 will be used with two distinct sections for 84.425

- Section 1 comprises those governed by the ESF (including ESSER) - numbers 84.425 A, C, D, H, and R
- Section 2 comprises those governed by the HEERF - numbers 84.425 E, F, J, K, L, M, N and S
- When there are expenditures under 84.425 B, G, P, V, W, and Y auditors must refer to Part 7 of the Supplement for guidance for auditing programs not included in the Supplement

IMPORTANT: ESF (in totality!) will be identified as “higher risk”

IMPORTANT: Section 1 in 1st release updated for CRRSAA, but not updated for ARP! Future addendum will include updates to Section 1 for ARP relating to 84.425U (ARP ESSER) and 84.425X (ARP State Educational Agency (Outlying Areas))

ESF Section 1 expected changes (1st release)

Changed Matching from a Y to a N in matrix and changed Special Tests and Provisions from a N to a Y

Added impact of ESSER II, GEER II, and EANS throughout

Annual reporting requirement added to reporting for ESSER I and II (it was N/A in prior year)

Special Tests and Provisions added

- Participation of Private School Children
- Prioritizing Services or Assistance for Non-Public Schools under EANS

ESF Section 2 Expected Changes

No changes to compliance requirement matrix

Detailed HEERF compliance requirements updated for each tranche of HEERF released including CRRSAA (HEERF II), and ARP (HEERF III)

- Allowable use changes including lost revenue
- Earmarking changes
- Period of performance changes
- Reporting changes

ESF Challenges

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

Determining what amount of HEERF to put on SEFA

Education OIG already noted the following problems with 2020 submitted audits in the Federal Audit Clearinghouse

- Auditor missed the program entirely when it was over the Type A threshold (in those found, it was 50/50 Institutions of Higher Education and Local Education Agencies)
- Auditor did not audit all 84.425 sub-programs
- Auditees not using consistent approach to identifying the various subprograms in the DCF

Special note for HEERF at proprietary schools

Education issued HEERF Guide for Proprietary Schools

- On March 31, 2021, Education issued a new guide titled, [*Guide for Compliance Attestation Engagements of Proprietary Schools Expending Higher Education Emergency Relief Fund \(HEERF\) Grants*](#)
- Applies to **proprietary schools** with HEERF funding \$500k or more during a fiscal year
- For schools on FSA's Heightened Cash Monitoring 1 or 2 lists, the audit is required for fiscal years in which the school expends any HEERF grant funds

CRF overview

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 has clarified #2 above if a fund recipient enters a different budget year between March 27 and December 31, 2020.

AL# 21.019

Treasury

**CARES
funded**

**States, local,
territories,
tribes: \$150B**

CRF expected updates

- IMPORTANT: CRF will be identified as “higher risk”
- Updated for spend date extension resulting from CRRSAA from December 30, 2020, to December 31, 2021
- Replaced previous references to FAQs in the Supplement section with updated references from the newer FR notice
 - Note that Treasury codified its [FAQs and guidance in the Federal Register](#)
- Clarified that FFATA does not apply to CRF

CRF challenges

Late and changing guidance early on

States and other pass-through entity agreements with subrecipients, unclear or problematic

Uniform Guidance cost principles do not apply to CRF

- Auditors instead use Treasury's guidance for this program as the criteria when testing the allowability of costs requirement

Expansion of concept of beneficiary to organizations and confusion over how that concept relates to subrecipients

- Treasury reporting portal adds to the confusion; the only option for reporting a disbursement to a beneficiary is to identify it in the subrecipient data field

CRF subrecipient vs. beneficiary common issues

Subawards are silent about whether the entity receiving the funds is a subrecipient, beneficiary, or contractor

Subaward originally states that the entity is a subrecipient and then the PTE informs the entity (sometimes much later) that it really is a beneficiary (or vice versa)

Subaward states that the entity is a subrecipient, but the entity believes it is really a beneficiary based on facts and circumstances

These situations can have significant implications for single audits

- We have been hearing about this most frequently with healthcare clients; but it has impacted many different type of entities

Tips for dealing with CRF subrecipient vs. beneficiary common issues

Client should always go back to PTE to make the determination if none has been made

If the PTE does not provide the designation or tells the client to make designation – review client's analysis

Clients should always get something in writing from the PTE, especially if the PTE is changing the designation such that the potential exists for the wrong major program to be tested or affect whether a single audit is even required

Documentation of the process and conclusion reached is critical for both auditees and auditors

PRF overview

Provides relief funds to hospitals and other healthcare providers

- Entities receiving the funding are governmental, NFPs, and for-profits

Funding supports healthcare-related expenses or lost revenue attributable to COVID-19

Several distributions (phases)

- General distributions
- Targeted distributions

HHS PRF guidance has changed numerous times

AL # 93.498

HHS

**CARES
funded**

**Healthcare
entities:
\$178B**

PRF breaking news – timing of SEFA inclusion has changed

2020 Supplement Addendum indicated that PRF was to begin being reported on SEFAs for December 31, 2020, and later FYEs

HHS just issued an FAQ stating that nonfederal entities will include PRF expenditures and/or lost revenues on the SEFA for FYEs ending on or after **June 30, 2021**

We have confirmed with HHS that this new guidance supersedes previous guidance in the 2020 Supplement Addendum

Audits of nonfederal entities having PRF that have been on hold can be completed

PRF breaking news – amount to be reported on SEFA clarified

Year end	What is included on the SEFA?
Before 6/30/2021	No PRF
6/30/2021 through 12/30/2021	Total expenditures and lost revenues from the <u>Period 1</u> report submission to the PRF Reporting Portal
12/31/21 through 6/29/22	Total expenditures and lost revenues from the <i>BOTH</i> <u>Period 1</u> and <u>Period 2</u> report submission to the PRF Reporting Portal
6/30/22 or after	SEFA reporting guidance to be provided at a later date in 2022 Supplement

See next slide for period definitions

PRF breaking news – timing of reporting to HHS clarified in new guidance

Reporting Portal Period	Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)	Period of Availability	Deadline to Use Funds	PRF Portal Reporting Time Period
Period 1	April 10, 2020 to June 30, 2020	January 1, 2020 to June 30, 2021	June 30, 2021	July 1, 2021 to September 30, 2021
Period 2	July 1, 2020 to December 31, 2020	January 1, 2020 to December 31, 2021	December 31, 2021	January 1, 2022 to March 31, 2022
Period 3	January 1, 2021 to June 30, 2021	January 1, 2020 to June 30, 2022	June 30, 2022	July 1, 2022 to September 30, 2022
Period 4	July 1, 2021 to December 31, 2021	January 1, 2020 to December 31, 2022	December 31, 2022	January 1, 2023 to March 31, 2023

PRF Supplement section expected changes

Clarifies timing matters just discussed in the Other Information section

IMPORTANT: PRF will be identified as “higher risk”

Changes Special Tests and Provisions from N to Y

- Out-of-Network Patient Out-of-Pocket Expenses added

Includes a detailed list of key line items in the PRF Reporting Portal submission which auditors will focus on when auditing the reporting compliance requirement

PRF Supplement section expected changes

Advises that since the PRF report is to be tested as part of the reporting type of compliance requirement, auditors should consider delaying the commencement of the compliance audit of the PRF program until recipients have completed the PRF report

- If 6/30/21 client does not submit its period 1 report until 9/30/21, the auditor should wait to commence the audit until the nonfederal entity submits the Period 1 PRF report.

Emphasizes that the requirements in 2 CFR 200.514 for defining the entity to be audited for single audit purposes continue to apply

- Will suggest as a best practice, that recipients may wish to include a footnote disclosure on the SEFA to identify which Providers by TIN are included in the audit.

Panel discussion – My healthcare client, a NFP, has already fully expended its PRF funding. Can't they just report everything and be done instead of dragging this out?



Impact of latest PRF developments on for-profit entity audits

HHS is still requiring for-profit recipients of PRF with \$750K or more to get either a single audit or GAGAS financial audit

HHS has clarified in a June 11, 2021, [FAQ](#) that commercial entities that EXPEND \$750,000 or more in annual awards are subject to the audit

The first date for PRF reporting on for-profit SEFAs (or other schedules for the GAGAS financial audit option) will be for June 30, 2021, year-ends (consistent with the PRF nonfederal entity SEFA guidance – stated on HHS webcast)

We believe HHS will be developing audit guidance for for-profits to include example schedules and auditor reporting

**We
recommend
auditors hold
off on
performing
any for-profit
audits with
PRF until
HHS issues
its guidance!**

PRF challenges

Delayed and changing guidance, including calculation of lost revenue

Confusion over GAAP reporting versus SEFA reporting

The “period” approach to portal reporting

Requires expenses or lost revenue incurred in periods both before and after the award existed and spanning more than one fiscal year of the entity

How the ‘reporting entity’ for portal purposes will relate to the scope of the single audit, especially for more complex entities with multiple subsidiaries

Auditing the reporting, including lost revenue

Continued uncertainty about for-profit entity audit guidance

How to learn more on PRF

Read [GAQC Alert #429](#) for more detail on this development from the Governmental Audit Quality Center

Access the [HHS portal reporting guidance page](#) and [updated HHS FAQs](#) as of July 15, 2021

Register for an August 18, 2021, AICPA Webcast titled, *HHS Portal Reporting and Clarifying PRF FAQs*

- [Access registration information](#)

SFA expected changes

Auditors will be directed to an Excel spreadsheet on the ED Web site for purposes of providing the detailed sampling information ED has been collecting the last few years

Updates for compliance categories

- Earmarking
- Special Tests and Provisions
 - Disbursements
 - Return of Title IV
 - Institutional Eligibility
 - Distance Education
 - **NEW:** Perkins Loan Recordkeeping and Record Retention
 - **NEW:** Clock to Credit Hour Conversion



93.461 HRSA COVID-19 Uninsured Program expected changes

IMPORTANT: 93.461 will be identified as “higher risk”

More detail provided up front to better explain the program and the aspects of the UG that apply

Special Tests and Provisions in the matrix changed from N to Y

- Audit objective and procedures added related to “balance billing” compliance requirement

Challenge Area: What goes on the SEFA for this program?

Caution: This program is a claims reimbursement program and may be administered by different parties than those normally handling federal programs. Don't overlook it!

Medicaid cluster expected changes

IMPORTANT: Medicaid cluster will be identified as “higher risk” (this program has always been higher risk)

Guidance additions related to COVID-19 flexibilities

Allowable Costs/Cost Principles revisions and clarifications

Special Tests and Provisions changes

2021 Supplement – Part 7

No significant changes; but important reminders:

Use Part 7 to help identify compliance requirements and to develop your audit approach/program

- What are the program objectives, program procedures, and compliance requirements for a specific program?
- Which of the compliance requirements could have a direct and material effect on the program?
- Which of the compliance requirements are susceptible to testing by the auditor?
- Into which of the 12 types of compliance requirements does each compliance requirement fall?
- For Special Tests and Provisions, what are the applicable audit objectives and audit procedures?

Appendix IV – Internal Reference Tables (higher-risk guidance)

Greatly expanded to cover programs with “higher risk” designation and what it means

Will state that generally, new ARP Type A programs will not have been audited in one of the two most recent audit periods subject to the 2021 Supplement and must be audited as a major program

- As noted earlier, OMB is currently working to identify all new ARP programs

Appendix IV – Expected non-ARP programs/other clusters with “higher risk” designation

Agency	Assistance Listing (CFDA) Number	Title
HHS	93.778/93.777/93.775	Medicaid Cluster
HHS	93.498	Provider Relief Fund
HHS	93.461	COVID-19 Uninsured Program
Transportation	20.106	Airport Improvement Program
Transportation	20.507	Federal Transit Formula Grant
Treasury	21.019	Coronavirus Relief Fund
Treasury	21.023	Emergency Rental Assistance*
Education	84.425	Education Stabilization Fund

**CAUTION:
THIS LIST IS
DRAFT –
CHECK FINAL
2021
SUPPLEMENT
TO ENSURE
NO CHANGES**

Appendix IV – Impact of “higher risk” status on major program determination

Non-ARP type A programs

- “Higher risk” designation will often result in type A program being audited as major
- Auditor is not precluded from determining that a “higher risk” non-ARP type A program or other cluster qualifies as low risk if both of the following are met:
 - Program otherwise meets the criteria for a low-risk type A program or other cluster in section 200.518 of UG
 - The percentage of COVID-19 funding in the program or other cluster during the entity’s fiscal year is not material to the program or other cluster as a whole (see next slide)

Appendix IV – Impact of “higher risk” status on major program determination

Examples of applying the “materiality” criteria on prior slide (assuming program otherwise meets the criteria for a low-risk type A):

- SEFA includes Airport Improvement Program but the expenditures relevant to COVID-19 funding included for 6/30/2021 is not material – may conclude low risk
- SEFA includes CRF expenditures for 6/30/21 which would be considered material because COVID-19 funding comprises the entire program – could not conclude low risk

Note: The Appendix is expected to say that the inclusion of COVID-19 funding with the R&D cluster does not create a “higher risk” designation for the R&D cluster

Appendix IV – Impact of “higher risk” status on major program determination

Type B program considerations for ARPA and non-ARPA programs and other clusters

- No changes to the normal risk assessment process for type B programs
- “Higher risk” identification must be considered with the other factors in section 200.519
- Auditor is not required to prioritize the assessment of risk for “higher risk” type B programs over other type B programs

2021 Supplement, Appendix VII – COVID-19

Single audit due dates – describes current audit extension provided by OMB Memo M-21-20 (next slides)

Donated PPE – guidance same as prior year but also emphasizes PPE must appear on the SEFA when the PPE is received with an Assistance Listing number

In a section discussing the proliferation of agency guidance documents during the pandemic, it continues prior year guidance that advises auditors to refer to a statute, regulation, or term and condition as criteria for audit findings

Reminders on PTE responsibilities for informing subrecipients – important to consider when testing subrecipient monitoring

Be sure to check the final Appendix VII to verify there are no changes!

OMB Memo M-21-20

[OMB Memorandum M-21-20](#) issued on March 19, 2021, to federal agencies relevant to ARP

- Encourages application of UG to ARP funding both to non-federal entities and for-profits
- Higher risk program identification
 - We have been having initial conversations with OMB on this topic and implications for future single audits
- Waivers, flexibilities, and more
- Six-month audit extension for audits not submitted on March 19, 2021, through June 30, 2021, year-ends
 - Much broader than prior extensions
 - No linkage to receipt of COVID-19 funding or operational impact like previous extensions



6-month single audit extension at a glance

ATTACHMENT – SNAPSHOT OF IMPACT OF 6-MONTH EXTENSION PROVIDED BY OMB MEMO 21-20 FOR AUDITS NOT SUBMITTED AT 3/19/21		
Fiscal Year End	Normal Due Date*	Extended Due Date*
June 30, 2020	March 31, 2021	September 30, 2021
July 31, 2020	April 30, 2021	October 31, 2021
August 31, 2020	May 31, 2021	November 30, 2021
September 30, 2020	June 30, 2021	December 31, 2021
October 31, 2020	July 31, 2021	January 31, 2022
November 30, 2020	August 31, 2021	February 28, 2022
December 31, 2020	September 30, 2021	March 31, 2022
January 31, 2021	October 31, 2021	April 30, 2022
February 28, 2021	November 30, 2021	May 31, 2022
March 31, 2021	December 31, 2021	June 30, 2022
April 30, 2021	January 31, 2022	July 31, 2022
May 31, 2021	February 28, 2022	August 31, 2022
June 30, 2021	March 31, 2022	September 30, 2022

* 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 for those situations.

2021 Supplement, Appendix VII – ARPA programs expected

Treasury

- Capital Projects Fund (Assistance Listing has not been assigned)
- Homeownership Assistance Fund (Assistance Listing 21.026)
- Local Assistance and Tribal Consistency Fund (Assistance Listing has not been assigned)
- Coronavirus State and Local Fiscal Recovery Fund (Assistance Listing 21.027)
- Emergency Rental Assistance Program (Assistance Listing 21.023)

Education

- Education Stabilization Fund (Assistance Listing (CFDA) 84.425) - reminder only section 1 changing!

Guidance on these programs is expected to be made available in a follow-up addendum!

2021 Supplement, Appendix VII – COVID-19

Identification of compliance requirements for COVID-19 related awards

- For new COVID-19 related programs not included in the list on prior slide, the auditor must use the framework provided by Part 7
- For existing programs with incremental COVID-19 funding, the auditor must perform reasonable procedures to ensure that the compliance requirements are current
 - Documentation of the procedures performed to identify the compliance requirements is important.

Be sure to check the final Appendix VII to verify there are no changes!

So....what to do about new programs that WILL be in the addendum??

Similar to last year, the GAQC recommends waiting if possible!

Waiting for new program sections provides auditors with a good understanding of agency expectations for the audits of these new programs



2021 Supplement, Appendix VII – COVID 19 - Identification of COVID-19 awards on SEFA & DCF

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

- This includes both new and existing programs

SEFA Presentation

- On a separate line by CFDA 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>

Appendix VII also states that auditors should also include the COVID-19 identification for audit findings

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

2021 Supplement - Appendix VII

Reminder – don't forget about other guidance in Appendix VII

- Effect of changes to compliance requirements and other clusters
- Due date for submission of audit reports and low-risk auditee criteria
- Guidance on treatment of NSF and NIH awards

A quick word on CSLFRF

States and local governments are direct recipients

NFPs may receive from state & local governments

Fairly broad eligible uses

- Respond to the public health emergency due to COVID-19 or its negative economic impact including assistance to households, small businesses, and NFPs, or aid to impacted industries such as tourism, travel, and hospitality
- Premium pay to eligible workers
- Provision of government services to the extent of the reduction in revenue due to COVID-19
- To make necessary investments in water, sewer, or broadband infrastructure

AL# 21.027

Treasury

ARP funded

States: \$195B

**Local
governments:
\$130B**

**Territories
and Tribes:
\$45B**

CSLFRF challenges

Timing of funding release may impact determination of 2021 major programs

Program will not be in the first release of the upcoming 2021 *Compliance Supplement*

Treasury currently has proposed program requirements in an Interim Final Rule in the [Federal Register](#); it is possible that the requirements could change going forward

- [Access GAQC comment letter](#) – concerns about criteria

Includes concept of revenue loss

Many more local governments will be direct recipients

- New concept of nonentitlement units of local government (very small governments)

Many new single audits of local governments likely

- Some will not have recent experience with grants and single audits

Reminder on independence

Clients may ask for help they have not asked for before (e.g., help with applications, how to address new federal funding, assistance with SEFA/grant reporting preparation, decisions on allowability, etc.)

Ensure appropriate consideration of AICPA and GAO independence rules relevant to nonaudit services

- Remember clients must have SKE (a hurdle test)
- Auditors should not perform management functions
- Be sure to recognize and evaluate self-review threats

[Access the archives](#) of the following GAQC Web events to learn more about the 2018 Yellow Book, including several events on the auditor independence rules

Don't Forget!

WARNING!

**PRESENTATION BASED ON VETT DRAFT OF
2021 SUPPLEMENT**

**REVIEW THE FINAL 2021 SUPPLEMENT
CLOSELY FOR ANY CHANGE AND WATCH
FOR FUTURE *GAQC ALERTS***



2021 expected challenges and other updates

Single audit environment

Historic federal funding in response to pandemic

New recipients/increase in first-time single audits

Late (or continued lack of) federal guidance resulting in delayed audits from 2020 and workload compression

Uncertainty about timing of release of ARP funding

Treatment of CARES Act programs in year 2

Audit quality should be a continued area of focus!



Existing practice challenges from 2020 that we expect to continue

Lack of agency/PTE guidance or changing guidance for new programs

Supplement sections that only reference agency FAQs for new program requirements

Challenges in addressing SEFA completeness

Determining when awards exist and related SEFA timing issues (see later slides)

Determining subrecipients vs. contractors vs. beneficiaries (Treasury/CRF)

Significant delays of single audit performance causing workload compression

SEFA Challenges

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

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

SEFA challenges – timing issues

A few examples:

- CRF for subrecipients that do not have an official subaward at 6/30/20 so CRF gets reported on 6/30/21 SEFA
- FEMA may replace certain CRF expenditures in the year after those expenditures already reported on SEFA
- PRF “out of period” reporting (already discussed)
- ESF/HEERF now allowing institutions to go back to fiscal 2020 and grab expenditures/lost revenue which will be reported on the 2021 SEFA

Do not overlook the GAQC nonauthoritative [Guidance on the Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA](#)

Auditor considerations for “subprograms within a program”

ESF is an example of such a program

Airport Improvement Program may be another example

Auditor considerations

- Internal control and compliance considerations
- Remember there is only one opinion on major program
- Could be situations where one part of the overall program is immaterial

Auditee considerations for “subprograms within a program”

Although programs may be grouped together on the SEFA, auditees need to ensure that the expenditures are broken out in their records sufficiently for auditors to test the different compliance requirements

Sam.gov is now where you go to find important program information

Beta.sam.gov (which previously replaced cfda.gov) is now sam.gov and includes:

- Assistance listings (previously CFDA numbers)
- Entity registration
- Exclusions (suspensions and debarments)

Links to key federal guidance

PRF resources

HHS Web pages include additional program information including:

- [PRF Reporting Requirements and Auditing](#)
- [PRF General and Targeted Distribution Post-Payment Notice of Reporting Requirements](#)
- [PRF Data](#)
- [PRF FAQs](#)
- [PRF General Information](#)
- [PRF Information for Providers](#) (includes copies of terms and conditions)

Resources relevant to Section 1 of ESF

ESSER Web link

<https://oese.ed.gov/offices/education-stabilization-fund/elementary-secondary-school-emergency-relief-fund/>

Governor's Emergency Education Relief Fund (GEER Fund) Web link:

<https://oese.ed.gov/offices/education-stabilization-fund/governors-emergency-education-relief-fund/>

Emergency Assistance to Non-Public Schools Web link:

<https://oese.ed.gov/offices/education-stabilization-fund/emergency-assistance-non-public-schools/>

Resources relevant to Section 2 of ESF

HEERF 1 Web site:

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

HEERF 2 Web site:

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

HEERF 3 Web site:

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

CRF Resources

CRF Website - <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/coronavirus-relief-fund>

Treasury has now codified its [FAQs and guidance in the *Federal Register*](#)

Frequently Asked Questions Related to Reporting and Recordkeeping – updated 3/2/2021 (issued by Treasury Office of Inspector General at <https://oig.treasury.gov/sites/oig/files/2021-03/OIG-CA-20-028R.pdf>)

Also consider state Web sites

CSLFRF resources

Access Treasury [proposed program requirements](#) in the *Federal Register*, comments were due July 16, 2021

Access [Treasury Web site for this program](#)

Access related [Treasury guidance for nonentitlement units of government](#)

UG federal implementation resources

Federal Register notice, [Guidance for Grants and Agreements](#)

[2 CFR Revisions \(Redlined\)](#) - Nonauthoritative OMB reference document providing a markup identifying changes

[2 CFR Revisions \(85 FR 49506\) Crosswalk](#) - Document posted on <http://www.cfo.gov> that compares the revisions to 2 CFR made in August 2020 with previous CFR guidance

<https://ecfr.federalregister.gov/current/title-2/subtitle-A/chapter-II> - beta site - Allows user to access current version of 2 CFR and also refer to historical versions

FAQs, [Prohibition on Covered Telecommunications and Video Surveillance Services or Equipment](#) - addresses questions surrounding updates to section 200.216 of 2 CFR

GAQC and Other AICPA Resources

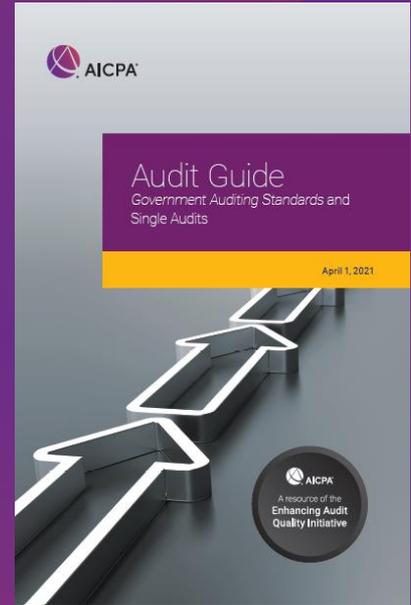
AICPA Audit Guide, *Government Auditing Standards and Single Audits*

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

2021 update expected in eBook and paperback late summer

Key changes:

- Significant updates for revised UG and SASs 134-140.
- All illustrative auditor's reports included in chapters 4 (Yellow Book), 13 (single audit), and 14 (program-specific) are updated for new standards.



Order now at:

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

GAQC resources - web site (www.aicpa.org/GAQC)

Key areas to check out and/or bookmark:

- [GAQC COVID-19 resources](#)
- Access [archived GAQC Alerts](#) in chronological order
- Access [archived GAQC Web events](#)
- [Uniform Guidance auditor resources](#) Web page ([including COVID-19 section](#))
- [Yellow Book tools and resources](#)
- [GASB Matters](#)
- GAQC [Membership Listings](#)
- [Auditee Resource Center](#)

Other GAQC Resources

GAQC [Summary of New COVID-19 Programs and UG Applicability](#)

GAQC [Summary of COVID-19 Audit Extensions](#)

[Guidance on the Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA](#)

[Illustrative Auditors Reports](#) (these will be updated with a sample of new reports once 2021 guides are released and HUD makes updates)

- Single Audit, Yellow Book, SLG, HUD

[SEFA Practice Aids](#) (for both [auditors](#) and [auditees](#))

Quality Control Tools

- [*Tips for Getting Through a Quality Control Review*](#)
- [*Practice Aid - Establishing and Maintaining a System of Quality Control*](#)

Other AICPA resources

[COVID-19 Resource Center](#)

- Includes [audit and accounting resources](#)

[Audit and Attest Web page](#)

A&A Technical Hotline (877) 242-7212 -
techinquiry@aicpa.org

[Ethics Division Web Page](#) (includes
AICPA Code)

- Ethics Hotline - ethics@aicpa.org or
888.777.7077

[Not-for-Profit Certificate Program](#) - On-
demand learning program

[Not-for-Profit Section](#) - For individuals
interested in NFP A&A

[EAQ](#) Web site

[Peer Review Web page](#)

AICPA 2021 Conferences

[Governmental Accounting and Auditing Update Conference](#), August 16 - 17, 2021, virtual offering only.

[Governmental and Not-for-Profit Training Program](#),
October 25-27, 2021, Las Vegas, NV *

*Currently this conference is scheduled to be a hybrid of in person and virtual. Check the conference web link for the latest information going forward.

Questions?

Panel discussion – If participants take away one or two key things from this event, what would they be?





Thank you