Preparing For Success

Single Audit Basics

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Meet the presenter

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Before we begin...

QUESTIONS?

We will be doing a Q&A session at the end of the presentation. Feel free to chat-in your question. We will try to get to as many questions as we can.

TECHNICAL ISSUES?

Use the chat function to let us know about any technology/sound issues.

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Agenda

- Single Audit Overview
- Common Issues and Challenges
- SEFA Preparation
- Understanding Compliance Requirements
- Internal Control Best Practices
- Readiness Checklist

Single Audit Basics

What is a Single Audit?

Single audits are required for all recipients who **expend $1,000,000** or more in aggregated federal financial assistance within their **fiscal year**.

– *Includes financial statements, policies, documentation, system of internal controls and compliance evaluation.*

– *New threshold applicable for fiscal years beginning on or after October 1, 2024 (FY26 Audits - July 1, 2025 to June 30, 2026)*
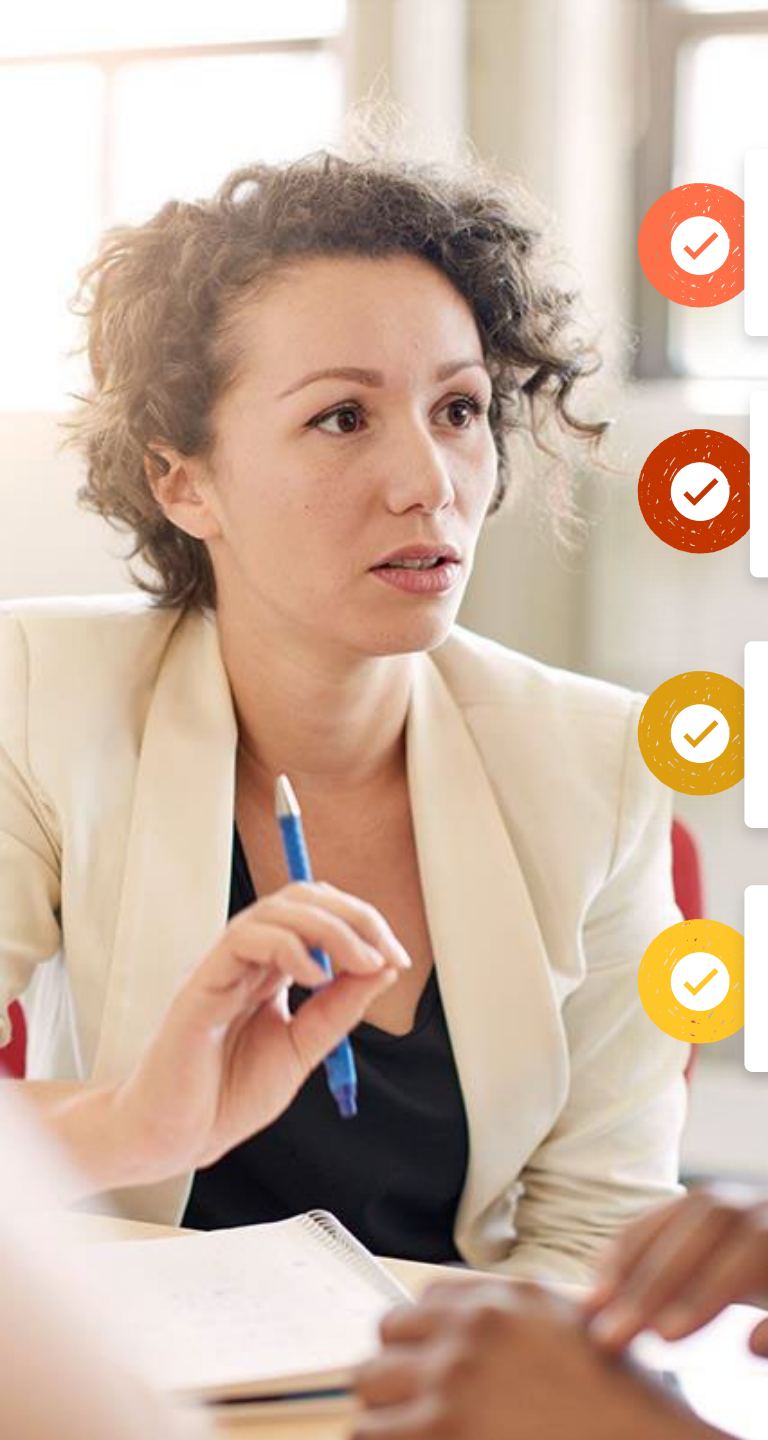
Uniform Guidance

Set of rules governing federal awards.

https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1

Compliance Supplement

Standardizes audit procedures.

https://www.whitehouse.gov/omb/information-resources/guidance/compliance-supplement/

Federal Audit Clearinghouse

Place to submit and review federal grant programs. *https://app.fac.gov/*

SEFA

Schedule of Expenditures of Federal Awards. Prepared internally for or with assistance of the auditors.

Single Audit Basics

Common
Issues and Challenges

SEFA Preparation

- Cutoff Issues
- Subrecipient Reporting
- Federal vs State Dollars

Lack of Controls

- Documentation Issues
- Unknown Compliance Requirements

Knowledge of Compliance Requirements

- Unknown Compliance Requirements
- Policies and Procedures not updated

UG Policies and Procedures
Overview

Uniform Guidance requires recipients of federal funds to develop and maintain **written** policies and procedures. The following areas are required to be included within the UG policies:

- Determination of Allowable of Costs - §200.302(b)(7)
- Time and Effort - §200.430(a)
- Cash Management of Federal Funds - §200.302(b)(6)
- Conflict of Interest - §200.318(c)(1-2)
- General Procurement Standards - §200.318-.326
- Equipment Management Requirements - §200.313

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SEFA Preparation Essentials

Management's Responsibility

SEFA is prepared by management, who must ensure its accuracy and completeness for proper reporting.

Reconciliation Requirement

SEFA must reconcile to accounting records and financial statements, maintaining consistency in financial information.

Auditor's Use of SEFA

Auditors use SEFA to identify major programs and provide opinions on its fair presentation.

How do you know everything is included?

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SEFA Preparation

- **Grant related expenditures/expense**
  - *In the fiscal year the transaction occurs.*
- **Subrecipient disbursements**
  - *when the disbursement is made to the subrecipient.*
- **Loans**
  - *when the loan proceeds are used*
  - *AND the loan balance in subsequent years, if required.*
- **Interest subsidies**
  - *when the entity is entitled to it.*

- **Other Items:**
  - *Donated Property*
  - *Food Commodities*
  - *Insurance Proceeds*
  - *Endowments*
  - *Program Income*

SEFA Preparation

- **List of awards by federal agency**
- **Assistance Listing Number**
- **Program Cluster**
  - *See the compliance supplement for clusters*
- **Passthrough entity**
- **Amounts provided to subrecipients**

SEFA Preparation Steps

Gather Grant Information

Contact relevant departments and collect comprehensive details on all grants.

Review Financial Records

Check the general ledger, Accounts Payable, and Due to other governments for proper grant revenue and cutoff accuracy.

Analyze and Verify Grants

Identify unreimbursed grants, analyze federal funded loans, and review meeting minutes for new grant awards.

How are grant awards communicated with the finance department?

Compliance Overview

The Compliance Supplement identifies which existing compliance requirements are subject to audit and the auditor must review which have a direct and material effect.

- *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*

Compliance Requirements

Understand Compliance Requirements

What are the key grant requirements and who is involved in the process?

Review the Grant Agreement & Compliance Guide

The Grant Agreement and the compliance supplement should be reviewed prior to the audit.

Review requirements with Department Heads

Ensure department heads understand all compliance requirements.

Utilize your auditor to understand direct requirements.

Internal Controls Overview

The 2 CFR section 200.303 requires that non-federal entities receiving federal awards **establish and maintain internal control over the federal awards** that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

Internal Control Best Practices

Understand Compliance Requirements

What are the key grant requirements and who is involved in the process?

Doer and a Reviewer!

Review and monitoring controls. Consider your already existing processes, like board approval.

Documentation

Consider how the performed controls are being documented.

Control Documentation is Key!

See page 2115 of the Compliance Supplement
for example controls.

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Internal Control Examples

A. ACTIVITIES ALLOWED OR UNALLOWED B. ALLOWABLE COSTS/COST PRINCIPLES	C. CASH MANAGEMENT	E. ELIGIBILITY	F. EQUIPMENT AND REAL PROPERTY MANAGEMENT
Supervisors review and approve invoices, cost allocations, efforts of personnel, fringe benefits and indirect charges for allowability, adherence to cost principles, accuracy, and completeness.	Requests for reimbursement are reviewed/authorized prior to submission by reviewing supporting documents/schedules/reports to ensure amounts have been paid with the organization's funds prior to the reimbursement request. (Reimbursement)	Accuracy and completeness of data used to determine eligibility requirements are reviewed and agreed to support as necessary by staff and reviewed by knowledgeable supervisor.	Property additions purchased with grant funds are recorded timely and compared to source documents for accurate and complete recording.
Chart of accounts segregates unallowable costs/activities into discrete accounts to help ensure they are not coded to federal awards; directly or indirectly.	Cash flow statements/forecasts are prepared and reviewed to determine the immediate cash needs of the federal program. (Advance)	Manual checklists or automated processes used when making eligibility determinations are reviewed and approved by a knowledgeable supervisor.	Title/deeds associated with real property purchased with grant funds is maintained in a secure location and access is limited to authorized personnel.
On a monthly basis, the grant supervisor reviews the budget vs. actual report investigating unusual or unexpected variances and documents results of follow-up work performed.		Calculations of amounts to be received for or on behalf of participants are reperformed by supervisor.	
For changes in indirect rates due to new Negotiated Indirect Cost Rate Agreements (NICRAs) or reconciliations between provisional and actual indirect rates, the grant supervisor reviews the journal entry adjusting those costs by re-performing the calculation.	Drawdowns are reviewed/authorized by supervisors to ensure that amount requested minimizes the time elapsing between the transfer of funds from the US Treasury/Pass-Through Entity and their disbursement. (Advance)	Exception/edit reports are reviewed timely to identify potential ineligible participants/payments.	Leases associated with leasehold improvements purchased with grant funds have appropriate language identifying the improvements as federal property.
Journal entries to transfer costs from one project to another are reviewed for appropriateness and approved.	Drawdowns are reviewed by supervisors to ensure available program income, rebates, refunds, contract settlements, audit	Management periodically reviews documents/files/reports to ensure benefits are discontinued timely when eligibility requirements are no	Property and equipment listings associated with federal funds are reviewed periodically by knowledgeable officials to ensure completeness and accuracy.

Single Audit Basics

Common Questions

How do we know what the auditor will test?

- Required to test 20% or 40% of the total SEFA, depending on risk assessment.

- If any high-risk programs, could be more.

When should I discuss a new grant award with my auditor?

Right away! Early discussion with your auditor ensures a smooth audit.

Where do findings get reported?

- Oversight Agency

- Federal Audit Clearinghouse

- Board or Council

Single Audit Readiness Checklist

Adopt or Update Policies

- Uniform Guidance Policies and Procedures
- Internal Grant Management Procedures
- Grant Training

New Grant Award

- Establish Key Controls
- Review Requirements
- Understand Reporting

Review YTD Grants

- Minutes Review
- Department Inquiry
- General Ledger

Prepare SEFA

- Completeness Check
- Cutoff Check
- Review State vs Federal

Understand Compliance Requirements

- Review Agreement and Create **Requirement Cheat Sheat!**
- Review Compliance Supplement
- Discuss with Auditor

Single Audit Basics

Where to Start?

Prepare a list of all active grants

- Grant Period
- State vs Federal
- Total Award and YTD Received and Spent

Adopt UG Policy and Procedures

Don't start from scratch! Contact your auditor or another friendly local government for an example

Implement Controls

Review current processes and ensure documentation exists.

Questions?

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