



# Single Audit Update



North Carolina Association of CPAs Not-for-Profit Conference



# Today's Presenter

Marci is a CPA and has 33 years of experience in the accounting and auditing field. She was a nonequity partner with Deloitte in the assurance practice. Marci left Deloitte to teach at the University of North Carolina at Chapel Hill, where she is still a clinical assistant professor.

For the last 20 years, she has been developing course materials on auditing, compliance auditing, internal control, governance, and nonprofit accounting for CPE, and speaking to groups around the country. She is a co-author of 2 textbooks. Her most recent publications are a book on healthcare financial management published by Wiley Publishing and nonprofit boards and governance published by the AICPA.

Marci also performs quality reviews and internal inspections for accounting firms, and consultation on accounting, financial reporting, internal control, fraud prevention, and governance to nonprofit organizations. She is on the nonprofit committee for the NCACPA and raises money for several nonprofit groups around the country.



# Contents for Today's Course

- Compliance supplement 2021
- Compliance Supplement Addendum 1 (includes CSLFRF)
- Compliance Supplement Addendum 2
- PRF Funding
- Other Federal Award Issues



# Introduction

- The OMB prescribes audit requirements in its Uniform Guidance (2 CFR 200) Subpart F. Audit requirements for compliance audits are codified in AU-C 935.
- Generally Accepted Government Auditing Standards (GAGAS) are also applicable in Single Audits and are essentially an overlay on top of Generally Accepted Auditing Standards (GAAS)
- Program specific audit, the audit of the financial statement for the program, is audited in accordance with GAAS and GAGAS
- If agency audit guide is available, it is important to ensure that the audit guide's requirements are updated for the most current GAAS and GAGAS requirements
- Commercial entities that receive/expend federal awards are often subject to audit requirements through audit guides such as the Department of Education's Student Financial Aid Audit Guide or HUD's Consolidated Audit Guide
- This program will discuss the audit requirements that have surfaced due to many commercial entities receiving Provider Relief Funding (PRF), the Shuttered Venue Operators grant (SVOG) and others



# Expect the Unexpected When It Comes to Single Auditing

- Due to COVID-19 and CARES Act funding, 2021 was a difficult year for single auditing
- Documents promised by OMB were not released on schedule
- Due date extensions
- Confusion in when to recognize funding on the SEFA
- The best central repository for updates as they are issued throughout 2021 can be found by going to [www.aicpa.org/gaqc](http://www.aicpa.org/gaqc) and selecting “GAQC COVID-19 Resources” from the Quick Links section
- The latest illustrative audit report wording (updated for recently issued SASs) can also be found at [www.aicpa.org/gaqc](http://www.aicpa.org/gaqc)



# Compliance Supplement 2021

- August 2021, the OMB released the 2021 Compliance Supplement ([https://www.whitehouse.gov/wp-content/uploads/2021/08/OMB-2021-Compliance-Supplement\\_Final\\_V2.pdf](https://www.whitehouse.gov/wp-content/uploads/2021/08/OMB-2021-Compliance-Supplement_Final_V2.pdf))
- Two addenda are expected to the compliance supplement issued in the fall
  - **Addendum 1 issued in December 2021**
  - **Addendum 2 was issued in January 2022**
- Effective date is for years beginning after June 30, 2020 (June 2021 – March 2022)
- Compliance supplement for 2022 has not been issued



# Compliance Supplement 2021

- The supplement was updated for changes in the Uniform Guidance (UG) which was issued in August 2020
- When the UG was first issued, the document made a distinction in the guidance between awards before and after the effective date of the original guidance
- This time the before and after guidance was **not** listed as 3.1 and 3.2
- The auditors are instructed to check the award terms against the effective date of the UG which was November 12, 2020



# Compliance Supplement 2021

- The procurement thresholds were revised
- Simplified Acquisition Threshold is now \$250,000
- Micro-purchase threshold is \$10,000
- Some federal agencies have been late in adopting the revised UG into their regulations
- The procurement, suspension, and debarment section of the supplement was revised to provide a waiver related to the situation
- Auditors are **not** expected to develop audit findings for entities that implemented increased thresholds for all awards after November 12, 2020



# Compliance Supplement 2021

- Changes were made in the “reporting” compliance requirement section
- FFATA requirements were incorporated in this section along with guidance on when auditors **must** test FFATA
- Clarifications were made in the section discussing the audit work to be performed in Part 3 of the Compliance Supplement
- Auditors only need to test that the report was submitted in a timely manner
- Auditors also do **not** need to test any performance or special report criteria that is not quantifiable and capable of evaluation against objective criteria (e.g., information that would need to be tested at the beneficiary level)



# Compliance Supplement 2021

- Education Stabilization Fund (ESF)- identified as a higher risk program
- Covers many ESF subprograms in 2 sections
- Auditees and auditors should be aware that many changes have been made to this section
- The supplement was only updated for the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) but not for the implications of the America Rescue Plan (ARP) program
- The ARP program references 84.425U and 84.425X. Auditors should take care to use Addendum 1 for these programs.



# Compliance Supplement 2021

- Coronavirus Relief Fund (CRF) Program-identified as higher risk
  - Updated to match the CRRSAA provisions extending the spend date to December 31, 2021.
  - FFATA does **not** apply to this program
- PRF is also identified as a higher risk program
- The “other information” section of PRF was revised to clarify the amount of PRF expenditures and lost revenue to be reported and the timing for reporting on the SEFA
- There is a new requirement in the supplement in Special Tests and Provisions relating to Out-of-Network patient out of pocket expenses



# Compliance Supplement 2021

- The guidance in Part 5 (clusters) for Student Financial Assistance has many changes
- Most significant of them is the removal of the Matching, Level of Effort and Earmarking Compliance requirement
- Several requirements in Special Tests and Provisions were revised and two new ones added
- The Compliance Supplement also directs auditors to an excel spreadsheet that is on the Department of Education (ED) website related to providing sampling information



# Compliance Supplement 2021

- Part 5 Other Clusters was revised to add a new program (Assistance Listing 10.579, in the Child Nutrition Cluster)
- Agriculture Foreign Food Aid Donation cluster was deleted
- Appendix VII, Other Audit Advisories states that no new other clusters will be formed by the ARP Assistance Listing numbers and no ARP programs will be added to other clusters



# Compliance Supplement 2021

- Part 5 Other Clusters was revised to add a new program (Assistance Listing 10.579, in the Child Nutrition Cluster)
- Agriculture Foreign Food Aid Donation cluster was deleted
- Appendix VII, Other Audit Advisories states that no new other clusters will be formed by the ARP Assistance Listing numbers and no ARP programs will be added to other clusters
- Appendix II, Federal Agency Codifications of Government-Wide Requirements and Guidance for Grants and Cooperative Agreements has been updated to show the agencies that adopted the 2020 revision to the UG in their own regulations



# Higher Risk Programs

- Identification of programs as “higher risk”
  - All ARP type A programs (they are new, so have never been audited)
  - Auditor is not precluded from determining that a higher risk non-ARP type A program or other cluster is **low risk** if the program otherwise meets low risk criteria (200.518) **AND** the percentage of COVID-19 funding in the program or other cluster is not material to the program or other cluster as a whole

## EXAMPLE

An auditor identified the Airport Improvement (COVID-19) program on the SEFA. He looked at the expenditures to determine how much, if any, was COVID-19 funding for the year ending June 30, 2021. Only 3% of the expenditures in the program were COVID-19 related, and therefore were not considered material to the program.

Another program on the SEFA was the CRF program. 100% of the expenditures were COVID-19 related, so this program was deemed to be a major program.



# Higher Risk Programs

- High Risk – Non-ARP programs
  - 20.500/20.507/20.525/20.526 Federal Transit Cluster
  - 21.023 Emergency Rental Assistance
  - 83.461 COVID-19 Uninsured
  - 20.106 Airport Improvement Program
  - 93.778/93.777/93.775 Medicaid cluster
  - 93.498 PRF
  - 21.019 Coronavirus Relief Fund
  - 84.425 Education Stabilization Fund
- All programs except Emergency Rental Assistance are in the 2021 Supplement



# Higher Risk Programs

- Inclusion of COVID-19 funding in the R&D cluster does not create a higher risk designation for that cluster
- It's likely that the threshold for A/B will be higher for entities that receive significant funding
- Type B risk assessments- there are no changes for the risk assessment process used to identify high risk B programs
- If a B program is identified as higher risk in the Supplement, this is only one characteristic



# Extensions

- Normal due date for Single Audits -earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period
- OMB Memorandum M-21-20- 6-month extension for entities that have year ends through 6/30/21, that have **not yet submitted** as of 3/19/21
- No further action by awarding agencies is required to enact this extension
- It is important to retain documentation of the reason for the delayed filing. This will not impact the “low risk auditee” designation.



# Extensions- Example

Year End	Due Date	Extended Due Date
31-Mar-20	31-Dec-20	30-Jun-21
30-Jun-20	31-Mar-21	30-Sep-21
30-Sep-20	30-Jun-21	31-Dec-21
31-Dec-20	30-Sep-21	31-Mar-22
31-Mar-21	31-Dec-21	30-Jun-22
30-Jun-21	31-Mar-22	30-Sep-22

An auditee had a June 30, 2020 year end and required a single audit. The reporting package was not submitted by March 19, 2021. This auditee has 6 months after the normal due dated of March 31, 2021 which means the extension is good through September 30, 2021.

Another auditee had a December 31, 2020 single audit. The normal due date for this auditee would be September 30, 2021. The extension for this auditee takes the due date to March 31, 2022. This is an update of a previous shorter extension. It is **not** linked to COVID-19 19 funding.

It is important with any extension to note that if the audit report is issued earlier then the extension is over. The 30-calendar day rule applies. It is also important to watch for new developments. The OMB has been known to rescind extensions.



# Donated Personal Protective Equipment

- Personal Protective Equipment Purchased with Federal Assistance Funds
- Federal agencies and recipients can donate PPE purchased with Federal Assistance Funds to various entities for the COVID-19 response
- The donated PPE were mostly provided **without any compliance or reporting requirements** or assistance listing (CFDA) information from the donors
- Non-federal **entities that received** donated PPE should **provide the fair market value** of the PPE at the time of receipt as a stand-alone footnote accompanying their SEFA
- The amount of donated PPE should **not** be counted for purposes of determining the threshold for a single audit or determining the type A/B threshold for major programs. It is not required to be audited as a major program.
- Because donated PPE has no bearing on the single audit, the donated PPE footnote may be marked “unaudited”



# Identification of COVID-19 Funding on SEFA

- Format for presentation on the SEFA

93.558	COVID-19 Temporary Assistance for Needy Families	\$ 1,000,000
93.558	Temporary Assistance for Needy Families	3,000,000
93.558	Total Temporary Assistance for Needy Families	\$ 4,000,000



# Identification of COVID-19 Award Findings

- It is important to include the COVID-19 identification for audit findings that are applicable to COVID-19 new or existing programs

## Federal Award Findings and Questioned Costs

2020-001

**Grantor:** Department of Health and Human Services

**Program Name:** COVID-19 Temporary Assistance for Needy Families

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

**Federal Award Number:** 5PFG789

**Assistance Listing Number:** 93.558

### Criteria or Requirement

A non-Federal entity may charge to the Federal Award only allowable costs during the period.....



# Identification of COVID-19 Awards

## SF- SAC Presentation

On a separate row by CFDA number with COVID-19 as the first characters in Part II, Item 1c, Additional Award Information.

Row Number (auto-generated)	CFDA #		Additional Award Identification <sup>3</sup>	Federal Program Name	Amount Expended  (\$)	Cluster Name	Federal Program Total <sup>4</sup>  (\$)	Cluster Total <sup>5</sup> (auto-generated)  (\$)
	Federal Awarding Agency Prefix <sup>1</sup>	CFDA Three-Digit Extension <sup>2</sup>						
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			



# Compliance Requirements Removed

- Certain compliance requirements were removed from programs/clusters
- All prior year findings on a program/cluster must be reported in the Schedule of Prior Year Findings
- If there is a new requirement in a program or cluster in the current year, the auditor is not required to have tested for the requirement in the prior year audit
- This is true even if there was an error in the supplement



# Compliance Requirements Added

- If there are instances where a compliance requirement **was removed** from a program or cluster and there was an **audit finding in the prior year, the finding must continue to be reported in the summary schedule of prior audit findings and considered in major program determination**
- When a new compliance requirement was added in the current year supplement, the auditor is not expected to have tested it in the prior year audit. This is true even if it was a correction of an error to the supplement.



# Case Study for Discussion

An auditor was evaluating a cluster where a program was added in the current year. The Type A program threshold was \$750,000. The cluster had 3 assistance listing numbers in it 93.123, 93.125 and 93.127 in the prior year. When it was audited in the prior year there were no audit findings. A new assistance listing number 93.129 was added in the current year, so the cluster now has 4 programs. In the current year the cluster consists of

AL #	Amount
93.123	500,000
93.125	300,000
93.127	400,000
93.129	300,000
<b>Total</b>	<b>1,500,000</b>

Which of the following is true?

- A. The cluster would not be considered to be low risk because the expenditures for the new program are too high.
- B. The cluster would be considered to be low risk because all the criteria were met even though the expenditures in the new program are too high.
- C. The cluster would not be considered to be low risk because not all of the programs were audited in one of the two most recent audit periods.



# Case Study for Discussion- Solution

An auditor was evaluating a cluster where a program was added in the current year. The Type A program threshold was \$750,000. The cluster had 3 assistance listing numbers in it 93.123, 93.125 and 93.127 in the prior year. When it was audited in the prior year there were no audit findings. A new assistance listing number 93.129 was added in the current year, so the cluster now has 4 programs. In the current year the cluster consists of

AL #	Amount
93.123	500,000
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93.127	400,000
93.129	300,000
<b>Total</b>	<b>1,500,000</b>

Which of the following is true?

- A. **The cluster would not be considered to be low risk because the expenditures for the new program are too high.**
- B. The cluster would be considered to be low risk because all the criteria were met even though the expenditures in the new program are too high.
- C. The cluster would not be considered to be low risk because not all of the programs were audited in one of the two most recent audit periods.



# Cautionary Reminders for 2021 and 2022 Audits

- Programs and amounts may be harder to identify for SEFA purposes since there was so much COVID-19 funding and much of it passed to subrecipients
- Awardees may need to go to the agency website if the information they need is not included in the award document
- Auditees may find that they are facing several challenges:
  - Cash is received before the award/terms and conditions are agreed to
  - The auditee may have the opportunity to choose which year to expend the funds
  - PRF funding has a different reporting timetable and is treated differently from other funding



# Identifying Timing & Amounts on the SEFA

- Some funding provides for a period of performance and allows for the application of costs (or lost revenue) incurred in periods both before and after the award existed and spans more than one fiscal year
- AICPA issued a nonauthoritative practice aid (updated on April 14, 2021)
- Generally, expenditures (including lost revenue) are reported on the SEFA when expenditures are incurred, and an award is determined to exist



# Identifying Timing & Amounts on the SEFA

- For expenditure or lost revenue, there should be an award
- Sometimes it is hard to determine when there is an award, particularly when funds were received in advance and the normal awarding process was not followed. There may not even be a signed document.
- Procedures that auditors may consider for determining the appropriateness of the “award date”
  - Make inquiries of management regarding facts and circumstances surrounding award arrangements
  - Review client-supporting documents and records such as Board minutes, email correspondence, or instructions provided to them as subrecipients from a pass-through entity for claiming expenditures



# Identifying Timing & Amounts on the SEFA

- If an award is determined to exist as of the fiscal year-end, costs incurred (or lost revenue) that a non-federal entity applies to an award should be reported on the SEFA in the year costs were incurred even if the non-federal entity makes the determination to wait to apply the costs incurred to the award until after the fiscal year-end
- If the period of performance allows the entity to apply future year costs incurred to the award and the entity decides to do so, future year costs go on the **next** year's SEFA when applied
- Timing of cash receipts (advances or reimbursements) would have no impact on SEFA recognition
- AICPA document provides numerous scenarios



# Identifying Timing & Amounts on the SEFA— Scenario 1

## Costs Incurred are Applied to an Award as Incurred – Accrual Basis SEFA

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 incurred	Release F/S
		Costs applied to award	Costs applied to award	Costs applied to award			Costs applied to award	Release Single Audit

- What expenditures are reported on the SEFA at 6/30/20? **\$700K (April–June 20)**
- What if this were a subrecipient? **It would be no different**
- What if the federal funds were **advanced** rather than reimbursed – Would it matter? **No**



# Identifying Timing & Amounts on the SEFA— Scenario 2

## Decision to Apply Costs to an Award in Different FY than Incurred – Accrual Basis SEFA

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 the award from April-June 2020	Costs incurred	Release F/S Release Single Audit

- What expenditures are reported on the SEFA at 6/30/20? **\$700K (April–June 20)**. The fact that the entity decided to apply costs after FYE is not relevant.
- What if this were a subrecipient? **The subrecipient would report \$700K in expenditures at 6/30/20.**



# Identifying Timing & Amounts on the SEFA— Scenario 3

**Award is Made in Subsequent FY from Costs Incurred but Allowed from  
Previous FY to be Charged – Accrual Basis SEFA**

<b>Apr-20</b>	<b>May-20</b>	<b>Jun-20</b>	<b>FYE</b>	<b>Jul-20</b>	<b>Aug-20</b>	<b>Dec-20</b>
<b>\$100K</b>	<b>\$200K</b>	<b>\$400K</b>		<b>\$1M</b>	<b>\$300K</b>	
Costs incurred	Costs incurred	Costs incurred		Awarded Costs applied to award from April 20- June 20	Costs incurred	Release F/S Release Single Audit

- What expenditures are reported on the SEFA at 6/30/20? **\$0. There was no award until after FYE.**
- What expenditures are reported on the SEFA at 6/30/21? **\$1M** – The sum of costs incurred April–August 20.



# Identifying Timing & Amounts on the SEFA – Scenario 4

**Award is Made in Subsequent FY from Costs Incurred but Allowed from Previous FY to be Charged – Accrual Basis SEFA**

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

- What expenditures are reported on the SEFA at 6/30/20? **\$0**. The award allowed the entity to choose which costs to apply to the award. They chose the FY 21 costs (incurred 7/20).
- What expenditures are reported on the SEFA at 6/30/21? **\$1M** – These are the July 20 costs.



# Auditees May Not Be Prepared

- More entities crossing the \$750,000 expenditure threshold causing them to have Single Audits where they did not have them before
- This situation may result in findings if the appropriate internal controls were not developed
- If substantial awards were made mid-year, internal controls may have changed mid-year
- More entities may have subrecipients this year so the compliance requirement, “monitoring subrecipients”, when applicable is more likely to be direct and material
- Audit advisories appendix has identified audit sampling as a risk
- Firms were cautioned in the advisory to take care to properly document all elements related to the sample size for testing, especially the justification for the sample size
- This has also been a deficiency noted in peer reviews



# Compliance Supplement 2021 – Addendum 1

- Compliance Supplement Addendum 1 only included 2 programs
- Coronavirus State and Local Fiscal Recovery Fund (FRF) Assistance Listing # 21.027
- Update to ESF (84.425 U and 84.425 X)
- Addendum 1 is posted at <https://www.cfo.gov/2021-addendum-1/>. A link can also be found on the GAQC 2021 OMB Compliance Supplement Resource Center.



# 21.027 Coronavirus State and Local Fiscal Recovery Funds (FRF)

- 21.027 Coronavirus State and Local Fiscal Recovery Funds (FRF) –The Very large program from the Department of the Treasury. Totals \$350 billion, 30,000 recipients.
- Generally state and local governments are the recipients of direct funding
- Funds can be passed down to not-for-profits by state and local governments
- A significant amount of the funding is provided to non-entitlement units (NEU)
- NEUs are local governments serving a population under 50,000 that receive funding through their states
- The award amounts are based on the population of the NEU
- NEUs are considered **direct** recipients of the funding
- Treasury guide for NEU's at [https://home.treasury.gov/system/files/136/NEU\\_Guidance.pdf](https://home.treasury.gov/system/files/136/NEU_Guidance.pdf).



# 21.027 Coronavirus State and Local Fiscal Recovery Funds (FRF)

- The guidance on this program was updated on January 6, 2022, when a final rule was issued
- The final rule is effective April 1, 2022
- The program began in March 2021 and entities may follow the interim rule until the effective date
- The final rule is much more favorable because it includes a simplification election that will relieve some of the accounting burden from smaller entities
- Entities are allowed to use either rule up until the effective date. This should be documented for the auditor so the auditor will know how to test.



# Compliance Supplement 2021 – Addendum 1

- Eligible uses of FRF funding are:
  1. Respond to the public health emergency due to COVID-19 or its negative economic impact. This may include assistance to small businesses, households, not-for-profits or to aid impacted industries such as tourism, travel, and hospitality.
  2. Premium pay to eligible workers performing essential work. This does not include those that work from home.
  3. Provision of government services. This is a popular category. There is a limit to it based on a calculation of lost revenue. The Final Rule provides a cap of \$10 million where a calculation of lost revenue is unnecessary. The entity cannot exceed the award level so if the award is less than \$10 million that becomes the cap.
  4. Make investments in water, sewer, or broadband infrastructure



# 21.027 Coronavirus State and Local Fiscal Recovery Funds (FRF)

- ***Period of Performance***

- Period of performance begins on the date the award is issued (funds disbursed) and ends on December 31, 2026
- Recipients may only use funds to cover eligible costs incurred (obligated) during the period March 3, 2021, to December 31, 2024. The deadline for liquidation of obligations is no later than December 31, 2026.



# 21.027 Coronavirus State and Local Fiscal Recovery Funds (FRF)

- ***Activities Allowed/Unallowed & Allowable Costs***
- Funding can be used for certain costs prior to March 3, 2021
  - Premium pay- may be used for a period prior to the covered period but the expenditure must be in the covered period
  - Public health/negative economic effects- May use funding to provide assistance to households, small businesses and NFPs for costs incurred by the beneficiary prior to March 3, 2021 if the recipient did not incur the cost of providing the assistance prior to that date
  - Revenue loss- based on the recipient's revenue in the last full fiscal year prior to COVID-19 but use of funds for government services must be forward looking (incurred after March 3, 2021)
  - Investments in water, sewer and broadband- funding may be used to cover costs for eligible projects planned or started prior to March 31, 2021 provided that the costs were incurred after March 3, 2021



# 21.027 Coronavirus State and Local Fiscal Recovery Funds (FRF)

- **Procurement, Suspension and Debarment**
- Entities are expected to have procurement policies in place that comply with the UG
- Normal suspension/debarment rules apply



# 21.027 Coronavirus State and Local Fiscal Recovery Funds (FRF)

- **Reporting**
- An interim report was required for entities except NEUs on August 31, 2021
- Quarterly project and expenditure reports that include lost revenue information. The standard allowance is reported on the quarterly report due April 30, 2022 if elected.
- Larger entities such as states, territories and cities and counties with populations greater than 250,000 will provide Recovery Plan Performance Reports
- The Treasury received approval from the OMB to increase the subaward reporting threshold from \$30,000 to \$50,000. FFATA reporting is required for all recipients. FFATA reporting is not subject to the audit.
  - Lost revenue is not reported on the SEFA. Expenditures allowed due to lost revenue are reported.
  - NEUs are considered direct recipients and report their award expenditures on the SEFA and data collection form as **direct** awards
  - States do not report award funds required to be distributed to NEUs on state SEFAs or the data collection form



# 21.027 Coronavirus State and Local Fiscal Recovery Funds (FRF)

- **Subrecipient monitoring**
- States have no subrecipient monitoring requirements related to the funding that they were required to distribute to NEUs. The Treasury has defined the term differently than the UG for FRF funding. It is the same approach used for CRF funding. A beneficiary can include an individual or an **entity**. There are no single audit requirements for beneficiaries.
- Pass-through entities are required to determine whether the entities receiving funding are from the beneficiaries or subrecipients. They do not have subrecipient monitoring responsibilities for beneficiaries.



# CSLFRF- Alternative Audit Requirement

- Certain recipients are eligible for an alternative compliance examination performed under the Yellow Book and using the AICPA's attestation standards
- Practitioner tests narrowly scoped compliance requirements related to Activities Allowed/Allowable Costs
- The attestation guidance is found in AT-C 315 and also incorporates guidance from AT-C 105, *Concepts Common to All Attestation Engagements*, and AT-C 205, *Assertion-Based Examination Engagements*
- In this alternative engagement:
  - Financial statement audit is not required
  - SEFA is not prepared
  - An understanding of internal control is required, but testing is not
  - Compliance requirements are tested
  - Engagement reporting is simplified



# CSLFRF- Alternative Audit Requirement

- To be eligible for this alternative, the FRF recipient that expends \$750,000 or more must meet these requirements:
  - FRF allocation that was received directly from the Treasury or received as an NEU is below the \$10 million revenue loss standard allowance
  - Other Federal expenditures not from FRF are less than \$750,000 during the fiscal year
- Not-for-profits do not receive direct funding, so this alternative does not apply



# CSLFRF Reporting Extension

- The US Dept of Treasury has communicated a reporting extension to:
  - State, US territories, metropolitan cities and counties and Tribal governments- the report is now due on January 31, 2022 and covers the period between award date and December 31, 2021
  - Nonentitlement units- report due on April 30, 2022 and covers the period between award date and March 31, 2022
- Reports were originally due on October 31, 2021
- Watch the Treasury site for more developments



# Compliance Supplement 2021 – Addendum 1

- **ESF Funding**

- The ESF funding is divided into three subsections
- Section 1 covers primary and secondary schools
- Section 2 covers higher education. The final section is identified as “other programs.”
- Section 1 was updated in the addendum to address ARP funds (84.435 U and X). Section 2 was already updated for ARP in the original compliance supplement.
- The addendum includes an example of the data collection form (SF-FAC) as illustrated above. Column C is where the auditee would put the subprogram letter (e.g., A, B, C ....U, X).



# Compliance Supplement 2021 – Addendum 1

- Note that subprogram Q is for commercial entities (for profits). They do not report on the data collection form.
- Auditors should take care to use the guidance that is appropriate in the situation
- Some guidance previously in the compliance supplement was updated by guidance in addendum 1
- For audits with report dates prior to the issuance of this addendum, the work will stand as originally performed
- Auditors are not required to go back and retroactively review these two programs based on the guidance



# Compliance Supplement 2021 – Addendum 1

- When there is a program without a compliance supplement, the auditor uses the guidance in Part 7 to build an audit program
- The supplement presents a cautionary warning that auditors must perform reasonable procedures to ensure that compliance requirements are current
- If an agency makes changes but an addendum has not yet been published with those changes, the auditor should document the reasonable procedures performed



# Compliance Supplement 2021 – Addendum 1

- Example of DCF section – Column C describes the “Letter” of the program
- For clients with funding under programs U and X and Section 2 programs, use both the addendum guidance and the original release. **BE SURE TO DOCUMENT WHAT IS USED!**
- For audits with report dates prior to the issuance of this guidance, auditors are not required to go back retroactively to review these two programs based on the recently issued guidance



# Compliance Supplement 2021 – Addendum 2

- Addendum 2 was issued in January 2022. The addendum states that the guidance is only applicable for audits with report dates after the issuance of the guidance (reports dated after January 19, 2022).
- There are 7 programs in Addendum 2
  - **10.542 Pandemic Economic benefits transfer (EBT) – Food benefits.** This is a new program that provides school age children with nutrition assistance. It is provided to state governments.
  - **10.649 Pandemic EBT – Administrative cost grants.** This new program was created to defray administrative cost of running the EBT pandemic initiative which is part of the SNAP (food stamps) program. Funding is provided to state governments.
  - **14.871 Section 8 Housing Vouchers-** This is an existing program with changes to address the new ARP funding provisions.
  - **20.315 National Railroad Passenger Corp Grants.** This is a new program that is only provided to AMTRAK.



# Compliance Supplement 2021 – Addendum 2

- There are 7 programs in Addendum 2 (con't)
  - **93.499 Low Income Household Water Assistance.** This is a new program that assists low income households that pay a high proportion of their income for water and wastewater services.
  - **93.558 TANF.** This is an existing program that has changes addressing ARP funding provisions.
  - **93.575 Child Care and Development Block Grant.** This is an existing program included in the Child Care and Development Fund cluster. Included are changes addressing ARP funding provisions. Also included are provisions that make the compliance requirement “reporting” subject to audit. This means testing of FFATA reporting is required. To add the reporting requirements, the Department of Health and Human Services got permission from the OMB to exceed the limit of 6 compliance requirements per assistance listing.



# Compliance Supplement 2021 – Addendum 2

- CSLFRF Update - final rule was posted by the Department of Treasury
- The final rule (<https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf>) offers a standard allowance for revenue loss of up to \$10 million, not to exceed the award amount
- This means that for many the entire award may be spent on government services
- Award recipients can choose between accepting that amount for government services or calculating the amount
- Instructions for calculating the cap on spending for lost revenue is in the final rule
- The standard amount streamlines reporting requirements
- This will not apply to not-for-profits



# Compliance Supplement 2021 – Addendum 2

- The final rule takes effect on April 1, 2022, but the guidance says that recipients can take advantage of the simplification as of January 19, 2022
- The CSLFRF program is large and expected to impact many smaller governments that never had a single audit before
- The concern is that with approximately 30,000 recipients of this award, there may not be enough auditors available to do the work
- GAQC has been consulting with the Treasury on how the administration and oversight of the program can be streamlined, including the Single Audit process



# Compliance Supplement 2021 – Addendum 2

- **Final Draft of HUD Reports Posted**
- Addendum 2 notes that the illustrative auditor reports included in Chapter 2 of the HUD audit guide have been revised for the changes in reporting due to SASs 134-140
- These changes are effective for periods ending on or after December 15, 2021
- The GAQC also posted these reports on its section of the AICPA website



# 2022 Compliance Supplement

- The OMB expects to issue the 2022 Supplement in May 2022



# Provider Relief Program (PRF)

- PRF is administered by the Health Resources and Services administration (HRSA)
- COVID-19 program that supports eligible healthcare providers by providing awards for allowable expenditures and lost revenue
- Pre-award costs are considered eligible circumstances if they were used to prevent, prepare for, and respond to the coronavirus
- PRF expenditures and lost revenue are reported through the PRF portal
- Reporting time period signals the reporting on the SEFA
- PRF award is reported in a different time frame than other awards that are reported on the timing of expenditures



# Provider Relief Program (PRF)

- HRSA has issued two fact sheets
  - Independent Audit Requirement Fact Sheet- answers questions that HRSA has received about auditing requirements
  - Parent-Subsidiary Reporting Fact Sheet- covers how both the general and targeted distributions are to be reported for recipients that are part of consolidated entities. The guidance is useful in that it provides guidance on how distributions that are transferred between the parent and the subsidiaries are to be input in the reporting portal.



# Provider Relief Program (PRF)

- Funding was awarded to NFP, governmental and commercial (for profit) providers
  - Ambulatory care
  - Assisted living facilities
  - Eye/vision groups
  - Nursing services
  - Behavioral health
  - Hospice
  - Nursing facilities (including custodial)
  - Dental providers



# Reporting Requirements– PRF Funding

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

**The deadline to return unused funds is 30 days after the reporting time period**



# 60 Day Grace Period

- HRSA provided a 60-day grace period for Period 1 due to the challenges that recipients face due to the COVID-19 surges
- Applies to nonfederal entities as well as for profit entities
- The grace period began October 1, 2021 and ended on November 30, 2021
- Any unused funds must be returned no later than 30 days after the grace period
- Use of the grace period does not affect low risk auditee status
- Auditors should wait to complete the audit until after the PRF filing has occurred



# Provider Relief Program (PRF)

- Matrix of Applicable Compliance Requirements

Compliance Requirement	Applicable
Activities allowed/unallowed	Yes
Allowable cost/cost principles	Yes
Cash management	No
Eligibility	No
Equipment/real property management	No
Matching, level of effort, earmarking	No
Period of performance	No
Procurement, suspension & debarment	No
Program Income	No
Reporting	Yes
Subrecipient monitoring	No
Special tests & provisions	Yes



# PRF Funding- Lost Revenue

- Three ways to calculate lost revenue. If option 3 is chosen and HRSA does not agree, then one of the other two must be selected.

Lost Revenue Option	Information needed for reporting lost revenue
<b>Option 1:</b> Difference between actual patient care revenue	<ul style="list-style-type: none"><li>▪ Actuals for each quarter during the period of availability</li><li>▪ Actual for 2019</li></ul>
<b>Option 2:</b> Difference between budgeted and actual patient care revenue	<ul style="list-style-type: none"><li>▪ Actuals for each quarter during the period of availability</li><li>▪ Budgets for each quarter during the period of availability</li><li>▪ Copy of the budget approved before March 27, 2020</li><li>▪ Executive-level attestation</li></ul>
<b>Option 3: Any reasonable method of estimating revenue</b>	<ul style="list-style-type: none"><li>▪ Narrative document describing the methodology, including an explanation of why the methodology is reasonable and a description on how lost revenue were attributable to COVID as opposed to some other cause.</li><li>▪ Calculation of lost revenue attributable to COVID using the methodology described in the document.</li></ul>

<https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/prf-lost-revenues-guide.pdf>



# Reporting Requirements– PRF Funding

- Under the category “reporting,” there are no financial reporting or performance reporting audit requirements
- There are special reporting requirements for:
  - the calculation of lost revenue
  - nursing home infection control expenses
  - other provider relief fund expenses
- Each is separately identified on the report uploaded to the portal
- Since the PRF amounts to be reported on the SEFA are based on the PRF report and it is to be tested, auditors should consider delaying the issuance of the compliance audit until the recipients have completed the PRF report
- The auditor will also test FFATA reporting for the PRF program. This is included under special reporting requirements in Part 4 of the compliance supplement.



# In-Relation-to- Opinion

- Paragraph .05 of AU-C 725 requires that supplementary information relate to the same period as the financial statements for the auditor to issue an in-relation-to opinion on the supplementary information
- Will the in-relation-to opinion on the financial statements be a modified opinion?
- The AICPA in Q&A 9160.36 reminds practitioners that when the SEFA is cash basis and the statements are accrual, this could result in differences
- Q&A 9160.27 -the auditor may provide an in-relation-to opinion on the financial statements as long as the schedule can be reconciled back to the underlying accounting records or the financial statements



# For-Profit Entities and PRF

- AICPA issued a Practice Aid that contains illustrative reports for the financial audit option
  - FAQs
  - Illustrative schedules, notes, and audit reports for GAAP and cash basis
  - Primer on GAS
- This is related to HHS grants and covers:
  - 93.498 PRF
  - 93.461 COVID-19 Claims Reimbursement for Uninsured program and COVID-19 coverage assistance funds
  - 93.697 Testing and Mitigation for Rural Health Clinics
  - Other HHS awards such as NIH Research R&D grants
  - Does not include Medicare received for patient services



# For-Profit Entities and PRF

- Entities can choose between a GAGAS Financial Audit, a Single Audit and if there is only 1 program, a program specific audit

	<b>GAGAS Financial Audit</b>	<b>Single Audit</b>	<b>Program Specific Audit</b>
<b>Criteria</b>	1 or multiple programs	1 or multiple programs	ONLY 1 program
<b>F/S audit required</b>	NO	YES	NO
<b>Presentation</b>	Schedule of an element of F/S	SEFA	Schedule of an element of F/S
<b>Auditor reporting</b>	AU-C 805	AU-C 725	AU-C 805
<b>GAGAS report on IC &amp; compliance</b>	Yes	Yes	See chapter 14 of Audit Guide
<b>Auditor Opinion on IC &amp; Compliance</b>	No	Yes	Yes



# For-Profit Entities and PRF

- Schedule Contents – PRF amounts align with period of availability-reporting to the portal

Year End	What is included on the Schedule?
Before 6/30/21	No PRF
6/30/21-12/30/21	Total expenditures and lost revenue from <b>Period 1</b> report submission to portal
12/31/21-6/29/22	Total expenditures and lost revenue from <b>Period 1 and Period 2</b> report submissions to portal
6/30/22 – 12/30/22	Total expenditures and lost revenue from <b>Period 2 and Period 3</b> report submissions to portal
12/31/22- 6/29/23 (in 2022 CS)	Total expenditures and lost revenue from <b>Period 3 and Period 4</b> report submissions to portal
6/30/23 and after	Reporting guidance for <b>Period 5</b> will be included in the 2023 compliance supplement



# For-Profit Entities and PRF

- PRF- amounts are based on expenditures and lost revenues
- HRSA – Uninsured program
  - Fee for service award
  - Revenue recognized during period under audit
- Other HHS programs
  - Amounts based on award expenditures during the period under audit
  - Revenue = expenditures



# New Guidance -For-Profit Entities and PRF

Program	Payment Rec'd Date	Amount	PRF Reporting Portal Period	GAAP Recognition		
				2020	2021	2022
PRF	April 2020	\$1,000,000	Period 1	\$1,000,000		-
PRF	August 2020	\$1,300,000	Period 2	\$1,000,000	\$300,000	-
PRF	January 2021	\$800,000	Period 3	-	\$800,000	-
Uninsured	2020	\$200,000	NA	\$200,000		-
Uninsured	2021	\$130,000	NA		\$130,000	
Uninsured	2022	\$25,000	NA			\$25,000

- Provider has a 12/31 fiscal year end. Reports under GAAP
- 1<sup>st</sup> year of reporting- 12/31/21, Second year 12/31/22
- Entity receives funding from PRF and the HRSA COVID-19 uninsured program



# New Guidance -For-Profit Entities and PRF

## ■ Compliance Audit Purposes

Program	Payment Rec'd Date	Amount	PRF Reporting Portal Period	INCLUSION IN HHS Compliance Audit		
				2020	2021	2022
PRF	April 202	\$1,000,000	Period 1		\$1,000,000	-
PRF	August 2020	\$1,300,000	Period 2	-	\$1,300,000	
PRF	January 2021	\$800,000	Period 3	-		\$800,000
Uninsured	2020	\$200,000	NA	NA***		-
Uninsured	2021	\$130,000	NA	NA	\$130,000	-
Uninsured	2022	\$25,000	NA	NA		\$25,000

NA\*\*\* in 2020 the threshold for \$750,000 was not met



# Schedule of Revenue

- When the entity chooses the financial audit option, the auditor will title the Schedule with a caption such as Schedule of Revenue, Other Revenue or Grant Income
- Schedule is titled this way because lost revenue is not technically an expenditure
- However, lost revenue reimbursement and expenditures both result in revenue on the financial statements. Following is an example of the Schedule and the Notes to the Schedule.



# Illustrative Schedule of Revenue

Schedule of Revenue from the US Department of Health and Human Services (HHS) Awards			
For the HHS Provider Relief Fund Periods of Availability which ended in the year ended December 31, 2021 and for other HHS Awards for the year ended December 31, 2021			
<b>Federal Department/Program Title/ Grant Name</b>	<b>Assistance Listing Number</b>	<b>Amounts recognized in accordance with GAAP for the Year ended December 31, 2020</b>	<b>Amounts recognized in accordance with GAAP for the Year ended December 31, 2021</b>
Department of Health and Human Services Health Resources and Services Administration (HRSA)			
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution- Period 1	93.498	1,000,000	
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution- Period 2	93.498	1,000,000	300,000
COVID-19 HRSA COVID- 19 Claims Reimbursement for the Uninsured Program and the OVID-19 Coverage Assistant Fund Testing for the Uninsured	93.461	N/A	130,000
Other HHS Awards ( as applicable)	93.XXX	N/A	
		2,000,000	430,000
See notes to the Schedule of Revenue from HHS Awards.			



# Notes to the Schedule of Revenue

## NOTE 1. GENERAL

Hospice Care of South Tampa (the Company) is a hospice provider caring for patients in the Tampa Florida area. It cares for patients in nursing facilities, hospitals and in their homes. Federal funds were received in awards from the U.S. Department of Health and Human Services (HHS), including through federal programs established by legislation issued in response to the COVID-19 pandemic (e.g., Coronavirus Aid, Relief, and Economic Security (CARES) Act or the American Rescue Plan (ARP)).

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

The accompanying Schedule of Revenue from HHS Awards (the schedule) is prepared in accordance with accounting principles generally accepted in the United States of America. Because the schedule presents only a selected portion of the Company's revenue it is not intended to and does not present the financial position, changes in equity, or cash flows of the Company.



# Notes to the Schedule of Revenue (con't)

## *Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution – Assistance Listing Number 93.498*

For the HHS awards related to the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF) program, HHS has indicated the amounts on the schedule be reported corresponding to reporting requirements of the HRSA PRF Reporting Portal. Payments from HHS for PRF are assigned to 'Payment Received Periods' (each, a Period) based upon the date each payment from the PRF was received. Each (each, a Period) based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. Entities report into the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e., after the end of the Period of Availability).

The schedule includes \$2.3 million received from HHS between April 10, 2020 through December 31, 2020. In accordance with guidance from HHS, these amounts are presented as Period 1 and Period 2. Such amounts were recognized as revenue in the Company's financial statements as shown in the schedule in the years ended December 31, 2020, and December 31, 2021.



# Notes to the Schedule of Revenue (con't)

## *HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund Testing for the Uninsured – Assistance Listing Number 93.461*

For the HHS awards related to the HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund program (the Uninsured/CAF Program), the amounts on the schedule relate to the amount of revenue recognized in the financial statements during the period under audit. The schedule includes the total Uninsured/CAF Program revenue recognized in the year presented in the schedule to the extent an audit of HHS awards was required in the respective year.

### **Estimates**

The preparation of the schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount in revenue during the reporting period. Actual results could differ from those estimates. Subsequent Events The schedule and related disclosures include evaluation of events through March 25, 2022, which is the date the schedule was available to be issued.



# Materiality and Section AU-C 805

- AU-C 805.14 states that, in the case of an audit of one or more specific elements of a financial statement, the auditor should determine materiality for each individual element reported on, rather than the aggregate of all elements or the complete set of financial statements
- Auditor will need to use professional judgment
- The Schedule of Revenue may have one program or more than one program
- In the AICPA illustrative reports, the auditor has concluded that the entire schedule represents one element (that is, all HHS awards)
- Therefore, materiality is based on the total of all HHS awards included on the schedule
- Auditor may conclude that even though the HHS awards are reported in two or more separate line items of the financial statements (e.g., grant revenue, patient services revenue, or other revenue), the schedule is still presenting one element since total HHS awards is what determines whether the HHS for-profit audit requirements apply
- Other auditors may conclude that the schedule presents multiple elements and thus would need to determine materiality levels for each specific element



# FFATA – Special Reporting

- The Federal Funding Accountability and Transparency Act (FFATA) is not a new law
- Purpose is to provide the public with the ability to hold the government accountable for each spending decision, reducing wasteful spending
- The FFATA Subaward Reporting System (FSRS) is the reporting tool used by Federal prime awardees (prime contractors and prime grants recipients) to capture and report subaward and executive compensation data for their first-tier subawards
- Prime contract awardees will report against sub-contracts awarded and prime grant awardees will report against sub-grants awarded. The sub-award information entered in FSRS will then be displayed on [www.USASpending.gov](http://www.USASpending.gov).



# FFATA – Special Reporting

- Auditors were required to test FFATA compliance for major programs years when it was first created but the compliance requirement was discontinued
- In 2020, the OMB brought it back for COVID-19 awards
- Now it is required to be tested for all programs for audit years ending after September 30, 2020
- FFATA requires that direct recipients of grants or cooperative agreements and prime contractors are required to report first-tier subawards of \$30,000 or more to the FFATA Subaward Reporting System (FSRS)
- Part 3 of the Compliance Supplement has a new requirement under Reporting (L) related to FFATA when the reporting requirement is applicable and the auditor has determined that reporting is direct and material



# FFATA Testing

1. Gain an understanding of the methodology used by the entity to identify awards subject to FFATA
2. Select sample of awards. Obtain the subaward/subcontract and test to see if it is subject to FFATA reporting.
3. Go to the FSRS website and compare the information on the award (1) the date of the award and (2) the amount of the obligating action for subawards or face value of the first-tier subcontracts (inclusive of modifications) agrees to the award and that the reporting was on time
4. If there were calculations that were made to reconcile the amount in the supporting data to what was reported, test them
5. Obtain representations that what was provided by the client was a true copy of the award documents
6. Report findings



# FFATA- Reporting Findings

The OMB recommends this format for reporting findings

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
40	1	0	2	1

Dollar Amount Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$2,000,000	\$50,000	\$0	\$75,000	\$0



# Shuttered Venue Operators Grant Program

- Assistance Listing 59.075, the Shuttered Venue Operators Grant Program (SVOG) was new in 2021
- Established by CRRSAA - \$15 billion in grants to shuttered venues, theaters, and museums
- Governments or not-for-profit entities will be subject to single audit rules
- Since there was no listing in the compliance supplement for 2021 and the addenda did not include one, auditors will need to use Part 7 of the compliance supplement to construct an audit program
- There will be a listing in the 2022 compliance supplement



# SVOG Audit Guidance

- For-profit entities can complete one of the following to meet the auditing requirement:
  - Single audit or program-specific audit consistent with Uniform Guidance
  - An audit of the entity's financial statements
- For-profit entities that **are audited**:
  - Entities will no longer need an additional audit under government auditing standards to meet the grant requirements. Just submit their audited financial statements.
- For-profit entities that **are not audited**:
  - Entities can choose to have a program-specific audit, if the SVOG grant is the only source of Federal funding
  - If the for-profit entity has more than one Federal funding source, they will have to have either a full financial statement audit or Single audit
- The SBA has stated that they are continuing to work on a compliance supplement for the SVOG, which will act as the framework for the single audit or program-specific audit



# Report Forms

- AICPA has issued new report forms to correspond with SAS 134 language
- PRF – Report forms for for-profit entities have been published by the AICPA in its practice aid

# Thank you!

