

Single Audit and Federal Grants Update

Big Changes on the Way!



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Learning Objectives

At the end of this session you will be able to:

1. Understand changes OMB has proposed
2. Determine potential impacts
3. Review materials and respond to OMB if applicable

Background

- Executive Order 13520 on reducing improper payments and eliminating waste in Federal programs and Presidential memorandum on promoting administrative flexibility
- OMB Advance Notice – Spring of 2012
- Proposed guidance issued February 1, 2013 – available to comment through June 2, 2013

Threshold Increases

- Audit threshold
 - Increased from \$500,000 to \$750,000 of federal expenditures
- Type A program threshold
 - Increased from \$300,000 to \$500,000
- Percentage coverage of federal expenditures required for testing
 - From 50% to 40% for regular auditees
 - From 25% to 20% for low-risk auditees

Changes to Major Program Determination

- Updated criteria for high-risk Type A programs
 - Failure to have an unqualified opinion on program
 - Material weakness in internal controls
 - Questioned costs exceeding 5% of program expenditures
- Reduction in number of high-risk Type B programs that must be tested from one-half to at least one-fourth of low-risk Type A programs

Reduction of Compliance Requirements Subject to Testing

- Streamlined requirements, some requirements removed
- If compliance requirements removed are essential to program, OMB will consider requests from agencies to add back as special provisions

Compliance Requirements Subject to Testing

- Activities allowed or not allowed and allowable costs/cost principles – also period of availability
- Cash Management
- Eligibility
- Matching
- Reporting
- Subrecipient Monitoring
- Special Tests and Provisions

Compliance Requirements Removed

- Davis Bacon Act
- Equipment and Real Property Management
- Level of Effort and Earmarking
- Procurement, Suspension, and Debarment
- Program Income
- Real Property Acquisition and Relocation Assistance

Reforms to Cost Principles

- Consolidation of cost principles in Circulars A-21, A-87, and A-122 into a single document with limited variations
- Indirect cost changes, including:
 - Extending negotiated indirect cost rates for up to four years
 - Allowing an indirect cost minimum flat rate of 10% for entities for up to 4 years
 - Requiring pass-through entities to either honor the indirect cost rate, negotiate a rate in accordance with federal guidelines, or provide the minimum flat rate

Time and Effort

- Consolidated reporting requirements that previously differed across types of entities
- Clarified broad principles of how to establish internal controls
- Recognize potential to integrate the necessary information in automated payroll distribution systems where clear internal controls govern those systems

Other Changes

- Creation of a consolidated, uniform set of administrative requirements
- Streamlining related circulars and guidance – including the eight existing OMB circulars into one document
- Providing guidance to ensure robust oversight of sub-recipients
- Various other changes that may apply to certain types of entities or grants

Helpful Link

- Overview of proposed guidance and link to provide feedback through June 2:

<https://www.federalregister.gov/articles/2013/02/01/2013-02113/reform-of-federal-policies-relating-to-grants-and-cooperative-agreements-cost-principles-and>

Helpful Link

- Full text of proposed guidance:

http://www.whitehouse.gov/sites/default/files/omb/financial/grant_reform/proposed-omb-uniform-guidance-for-federal-financial-assistance.pdf



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