

# Single Audit Update

Catholic Charities USA FRC Institute  
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**CliftonLarsonAllen**

[cliftonlarsonallen.com](http://cliftonlarsonallen.com)



# Learning Objectives

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

1. Understand the proposed single audit revisions and other proposed changes to various cost circulars
2. Understand the key updates to the new 2013 compliance supplement
3. Understand the proposed revisions to the Data Collection Form (SF-SAC) for 2013-2015

# Background

- Executive Order 13520 on reducing improper payments and eliminating waste in Federal programs and Presidential memorandum on promoting administrative flexibility
- Council on Financial Assistance Reform (COFAR)
- OMB Advance Notice – Spring of 2012
- Proposed guidance issued February 1, 2013

# Overarching Purpose and Impact

- Increase efficiency (and effectiveness)
- Boosting review of Federal Single audits – Heads up!
- Eliminate waste, fraud and abuse
- Eliminate unnecessary and duplicative requirements

# 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



# Low Risk Audit

- Percentage coverage of federal expenditures required for testing
  - From 50% to 40% for regular auditees
  - From 25% to 20% for **low-risk** auditees

# Does and will your organization qualify as a low risk auditee?

- Current:
  - Single audit performed on annual basis
  - Unmodified auditors' opinions on financial statements and SEFA
  - No material weaknesses in internal control over financial reporting
  - No type A programs had:
    - ◇ Material weaknesses
    - ◇ Material noncompliance
    - ◇ Known or likely questioned costs that exceed 5% of total federal awards expended for a type A program
- Proposed
  - “Full” single audits performed on an annual basis
  - Unmodified auditors' opinions on financial statements and SEFA
  - No going concern opinion
  - No material weaknesses in internal control over financial reporting
  - No type A programs had:
    - ◇ Material weaknesses
    - ◇ Other than an unqualified opinion on compliance
    - ◇ Known or likely questioned costs that exceed 5% of total federal awards expended for a type A program.

# Changes to Major Program Determination

- Updated criteria for high-risk Type A programs
  - Not audited as major in 1 of 2 most recent audit periods
  - Failure to have an unqualified opinion on program
  - Material weakness in internal controls
  - Questioned costs exceeding 5% of program expenditures
  - Written request by federal awarding agency to audit as major
- Reduction in number of high-risk Type B programs that must be tested from one-half to at least 25% 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 now will include period of availability as well as matching
- Cash Management
- Eligibility
- Reporting
- Subrecipient Monitoring
- Special Tests and Provisions

# Compliance Requirements to be 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

# Other Proposed Changes

- Creation of a consolidated, uniform set of administrative requirements
- Providing guidance to ensure robust oversight of sub-recipients

# Other Changes (Continued)

- Streamlining related circulars and guidance – eight existing OMB circulars into one document
  - A-21, Cost Principles for Educational Institutions
  - A-50, Audit Follow-Up, related to single audit
  - A-87, Cost Principles for State, Local, and Indian Tribal Governments
  - A-89, Federal Domestic Assistance Program Information
  - A-102, Awards and Cooperative Agreements with State and Local Governments
  - A-110, Uniform Administrative Requirements for Awards and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations
  - A-122, Cost Principles for Non-Profit Organizations
  - A-133, Audits of States, Local Governments and Nonprofit Organizations

# Helpful Links

- Overview of proposed guidance
- <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](http://www.whitehouse.gov/sites/default/files/omb/financial/grant_reform/proposed-omb-uniform-guidance-for-federal-financial-assistance.pdf)



# 2013 Compliance Supplement

- Effective for years beginning after June 30, 2012
- Be familiar with the supplement and matrix of compliance requirements (see handout)
- **Appendix V** , *List of Changes for the 2013*
  - Compliance Supplement, identifies all changes at a high level
  - Important roadmap that should used by you and your auditor!

# 2013 Compliance Supplement (continued)

- Many programs added and removed – ARRA programs winding down
- Certain requirements marked with a “Y” previously have been eliminated (for the first time in a long time)
  - Equipment and Real property
  - Procurement, suspension and debarment
  - Program income

# 2013 Compliance Supplement (Continued)

- Supplement and Matrix Available at:  
[http://www.whitehouse.gov/omb/circulars/a133\\_compliance\\_supplement\\_2013](http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2013)

# Changes to Data Collection Form SF-SAC (See Handout)

- Federal Register notice issued in May, 2013, comment period ended July 8, 2013 (CLA did submit a comment letter)
- **Final form still not out.**  
Anticipated to be released on approximately October 21, 2013
- The new form will cover 2013, 2014 and 2015

# Form SF-SAC Changes (Continued)

- Standardized Finding Numbers under Part II
  - YYYY-XXXX (for example 2013-001)
- New columns under part III
  - Column (F) – loan or loan guarantee (Y/N)
  - Column (K) – number of findings

# Form SF-SAC Changes (Continued)

## New Part III, Item 7

- Findings Summary
  - Audit findings must be listed (each federal award impacted)
- Auditor must report the Type of Compliance Requirement (moved from old Part III: Federal Programs)
  - Type of finding to be indicated
    - ◇ Modified Opinion
    - ◇ Other Noncompliance
    - ◇ Material Weakness
    - ◇ Significant Deficiency
    - ◇ Other

# Form SF-SAC – More to look out for!!

- **New Requirements for submission of SF-SAC:**
  - For 2013 audits with cognizant agency (and remaining audits in 2014) all reporting package uploads must be PDF's that are:
    - ◇ Text Searchable
    - ◇ Unlocked
    - ◇ Unencrypted
- **Personally Identifiable Information (PII) Certification**

Note: Ultimate goal – making the submission more transparent

# Federal Audit Clearinghouse Updates

- **What's New?**
  - log-in page
  - Personal accounts
  - Submission report format
  - Spreadsheet templates and uploads

**ALL COMING SOON!**



# Bonus Slide! Being ready for the Single Audit

- Have information ready BEFORE the auditors walk in the door
- It is management's responsibility to understand grant compliance requirements
- **Be available to the auditors** – no hiding behind closed doors!
- If you have findings, review them closely and make sure your auditor tells the whole story!
  - What was wrong?
  - Frequency?
  - Magnitude
  - Robust Management Response!

# QUESTIONS???

# Thank You!



Bruce W. Braunewell  
Partner

267-419-1137

[bruce.braunewell@claconnect.com](mailto:bruce.braunewell@claconnect.com)