Governmental Audit Quality Center

AICPA & CIMA
Together as the Association of International Certified Professional Accountants®

2024 *Compliance Supplement* and Single Audit Update

June 13, 2024



Today's Speakers



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What We Will Cover

Key changes in the 2024 OMB *Compliance Supplement*

Uniform Guidance revisions

Other single audit updates and reminders

GAQC and AICPA resources

Terminology and Abbreviations

AICPA	Association of International Certified Professional Accountants	FEMA	Federal Emergency Management Agency
ACEE	Alternative Compliance Examination Engagement	GAQC	Governmental Audit Quality Center
ALN	Assistance Listing Number	GAS-SA Guide	AICPA Audit Guide, Government Auditing Standards and Single Audits
BABA	Build America Buy America Act	HHS	Department of Health and Human Services
CFR	Code of Federal Regulations	IIJA	Infrastructure Investment and Jobs Act
CARES Act	Coronavirus Aid, Relief, and Economic Security Act	OMB	Office of Management and Budget
COVID-19	Coronavirus Disease	QCR	Quality Control Reviews
CPE	Continuing Professional Education	QC	Questioned Cost
CSLFRF	Coronavirus State and Local Fiscal Recovery Funds	PTE	Pass Through Entity
DCF	Data Collection Form	R&D	Research and Development
DOT	Department of Transportation	SEFA	Schedule of Expenditures of Federal Awards
ESF	Education Stabilization Fund	SFA	Student Financial Assistance
FR	Federal Register	SFQC	Schedule of Findings Questioned Cost
FAC	Federal Audit Clearinghouse	TQA	AICPA Technical Questions and Answers
FAQ	Frequently Asked Questions	USDA	United States of Department of Agriculture
FNS	Food Nutrition Services	UG	Uniform Guidance

Supplement Sections and Titles

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Part 1, *Background, Purpose and Applicability*

Part 2, *Matrix of Compliance Requirements*

Part 3, *Compliance Requirements*

Part 4, *Agency Program Requirements*

Part 5, *Cluster of Programs*

Part 6, *Internal Control*

Part 7, *Guidance for Auditing Programs Not Included in This Compliance Supplement*

Appendix I, *Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200*

Appendix II, *Federal Agency Codification of Government-wide Requirements and Guidance for Grants and Cooperative Agreements*

Appendix III, *Federal Agency Single Audit, Key Management Liaison, and Program Contacts*

Appendix IV, *Higher Risk Designation*

Appendix V, *List of Changes for the 2024 Compliance Supplement*

Appendix VI, *Program-Specific Audit Guides*

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Appendix VIII, *Examinations of EBT Service Organizations*

Appendix IX, *Compliance Supplement Core Team*

Panel Discussion – How is Your Practice Getting Ready for the 2024 Single Audit Season?



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Key Changes in the 2024 *Compliance Supplement*



Background and Effective Date

Issued May 29, 2024

Effective for audits of fiscal years beginning after June 30, 2023

Access the Supplement on OMB's Web site at: https://www.whitehouse.gov/omb/office-federal-financial-management/current-compliance-supplement/

- A single PDF file is available
- Individual sections (in PDF) are also available

The GAQC will be updating its OMB Compliance Supplement Resource Center for the 2024 Supplement in the coming weeks

FR Notice announcing Supplement release also asks for comments by August 5, 2024

Appendix V is a Starting Point

Appendix V in the 2024 Supplement continues to be much less detailed than in the past

- Only identifies a high-level description of changes made in the Parts and Appendices
- Includes a list of programs that have changed

To understand the changes made, a best practice is to run comparisons between the 2023 and 2024 Supplement



Part 2 Matrix

There are more changes than usual to the requirements subject to audit and in the additions and deletions noted

Identifies 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 are shown in bold and yellow highlight
- New programs are identified as “(new)” and deleted programs are identified as “(delete)”

Many of the deleted programs were removed because they are not audited frequently

- Auditors that still need to audit those programs will have to use Part 7 of the Supplement

REMINDER: 6-requirement mandate continues with 2 exceptions: R&D Cluster and the HHS Child Care Disaster Fund Cluster

Part 3 – Compliance Requirements

Only a few changes noted in Part 3 this year

- Improper Payments Clarification
  - For purposes of producing an estimate, when the agency cannot determine, due to lacking or insufficient documentation, whether a payment is proper or not, the payment shall be treated as an improper payment
- Clarification in Equipment and Real Property Management that the audit procedures in the section “Disposition of Real Property Acquired Under Federal Awards” are relevant to all non-federal entities, including states



Part 3 – Compliance Requirements

Procurement Changes – Build America Buy America Act

- Made clarifying edits to the compliance requirement section
- Audit procedure from prior year retained (i.e., to test whether the non-federal entity included the BABA domestic preference provisions in each agreement or obtained a BABA waiver)
- New audit procedure added:
  - *For each agreement selected where a waiver was not applicable, review the non-federal entity's documentation supporting that it monitored the contractor's compliance with the BABA domestic preference provisions in the agreement.*



Part 4 – New Programs

New

- **10.181** – Pandemic Relief Activities: Farm and Food Worker Relief Grant
- **10.182** – Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes and Local Governments
- **10.185** – Local Food for Schools Cooperative Agreement
- **10.186** – Regional Food Business Centers
- **10.190** – Resilient Food System Infrastructure
- **10.331** – Gus Schumacher Nutrition Incentive Program
- **11.028** – Connecting Minority Communities Pilot Program
- **11.029** – Tribal Broadband Connectivity
- **11.032** – State Digital Equity Planning and Capacity Grant
- **11.033** – Middle Mile (Broadband) Grant
- **11.035** – Broadband, Equity, Access and Deployment
- **20.326 –** Federal-State Partnership for Intercity Passenger Rail
- **66.957 –** National Clean Investment Fund
- **66.959 –** Section 134(a)(1) – Zero Emission Technologies Grant
- **66.960** – Clean Communities Investment Accelerator
- **93.210/93.441** – Tribal Self Governance and Determination Cluster

Part 4 – Deleted Programs

Deleted (excluding cluster changes which are noted later)

- **10.500** – Cooperative Extension Service
- **10.511** – Smith-Lever 3(b) and 3(c), Smith-Lever Special Needs, and University of District of Columbia Public Postsecondary Education Reorganization Act Program
- **10.512** – Agriculture Extension at 1890 Land-Grant Institutions Program
- **10.514** – Expanded Food and Nutrition Education Program
- **10.515** – Renewable Resources Extension Act (RREA) and National Focus Funds
- **10.516** – Rural Health and Safety
- **10.517** – Tribal College Extension Program and Special Emphasis, and Federally Recognized Tribes Extension Program
- **10.520** – Agriculture Risk Management Education Partnership Grants
- **10.521** – Children, Youth, and Families At-Risk
- **10.607** – Section 416(b)
- **14.235** – Supporting Housing Program
- **14.238** – Shelter Plus Care
- **93.545 –** Consumer Operated and Oriented Plan (CO-OP) Program

Part 4 - Frequently Most Audited Major Programs

ALN	Program Name	# of Times Audited	Changes in 2024
84.425	Education Stabilization Fund	7592	See slides
10.555/10.553/10.559/10.556/10.582	Child Nutrition Cluster	2056	See slides
21.027	Coronavirus State and Local Fiscal Recovery Funds	2123	See slides
84.027/84.173	Special Education Cluster (IDEA)	1794	No substantive changes
84.010	Title 1 Grants to Local Educational Agencies	1217	No substantive changes
14.157	Supportive Housing for the Elderly	1183	See Slides
84.268/84.063/84.033/84.007/84.038	Student Financial Assistance Cluster	1208	See Slides

ESF - 84.425

Continues to be broken down into two sections covering the various ESF subprograms

No changes or additions to the subprograms included this year

Overall level of changes to this program were minor.

Since no longer a “higher risk” program, normal risk-based approach criteria to be used to determine if the program needs to be audited

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

No longer considered a “higher risk” program!

Child Nutrition Cluster

Allowable Costs - description added that a School Food Authority must account for all revenues and expenses of its non-profit food service in accordance with state and federal requirements and operate it on a non-profit basis

Eligibility for Subrecipients section was revised

- Added guidance on how sponsors may determine eligibility of closed enrolled sites
- Added guidance for non-congregate meal service sites

Revisions made to the Special Tests and Provisions requirement

- Accountability for USDA-Donated Foods updated for the inventory management compliance requirement
- Removal of the verification of free and reduced-price applications

Other Information states that FNS is interested in ensuring that procurements adhere to federal standards regarding potential conflicts of interest and documentation and disclosure of less than arm's- length transactions.

Access an archived GAQC Web event, *Auditing the Most Common Programs Received by School Districts*, which may be useful for auditors auditing this cluster (as well as the Title 1 and the Special Education Cluster).

CSLFRF – 21.027

Substantive changes made to this program in part to reflect updates to the CSLFRF FAQs issued by Treasury and a 2023 Interim Final Rule

- Definition of “obligation”
- Three new eligible use categories

Section is broken down into two sections

- Section 1 - Audits of CSLFRF performed under the Uniform Guidance.
- Section 2 - An alternative compliance examination engagement for certain eligible recipients

Continues as a “higher risk” program

CSLFRF - 21.027 – Section 1 – UG Audits

New eligible use categories:



Provide emergency relief from natural disasters or the negative economic impacts of natural disasters



Use funds for Surface Transportation projects under certain programs administered by DOT



Use funds for projects eligible under the programs established in Title 1 projects

CSLFRF - 21.027 – Section 1 – UG Audits

Source of Governing Requirements significantly revised

- Pay attention to this section as it includes guidance for auditors about the interplay of the various rules and FAQs that Treasury has issued

Availability of Other Program Information section expanded to include additional resources and explanations of what they include

Activities Allowed or Unallowed

- Additional detail added to several of the broad eligible use categories about activities allowed (e.g., revenue loss, premium pay for essential workers)

Access a 2 hour no-CPE archive of a previous GAQC CSLFRF Web event which covers auditing considerations for this program.

CSLFRF - 21.027 – Section 1 – UG Audits

Allowable Costs/Cost Principles

- Guidance added regarding disallowable operating expenses for certain surface transportation projects
- Clarifies that internet service provider subrecipients that receive fixed amounts subawards are not required to comply with subpart E.

Matching, Level of Effort, Earmarking

- Matching and Level of Effort are now subject to audit and detailed guidance about the requirements for each has been added
- New earmarking requirement added for Surface Transportation and Title 1 projects.

CSLFRF - 21.027 – Section 1 – UG Audits

Period of Performance expanded to address the three new eligible uses for costs incurred and to expand the guidance addressing “obligations” for those eligible uses

Reporting

- Added more explanatory information about the Project and Expenditure Report in the performance reporting section
- Clarification added to the key line items in the performance reporting section related to capital expenditures.

Subrecipient Monitoring

- Added guidance for broadband infrastructure investment projects

CSLFRF – 21.027 – Alternative Compliance Examination Engagement – A Reminder

Permits eligible recipients to engage a practitioner to perform a compliance examination engagement of the CSLFRF program

- Use AICPA Statements on Standards for Attestation Engagements (AT-C section 315, *Compliance Attestation*); and
- *Government Auditing Standards* (chapter 7,*Standards for Attestation Engagements and Reviews of Financial Statements*, focuses on attestation engagements)

Practitioner tests narrowly scoped compliance requirements relating to A/B - Activities Allowed or Unallowed/Allowable Costs and Cost Principles

Results in an examination opinion on compliance

Access a comprehensive GAQC Practice Aid, *Compliance Attest Examinations of Certain Entities with Coronavirus State and Local Fiscal Recovery Funds Program*

CSLFRF – 21.027 – Alternative Compliance Examination Engagement – A Reminder

Who is Eligible?

An CSLFRF recipient that spends $750,000 or more in federal awards during its fiscal year is eligible to have an auditor perform an ACEE if:

1. The recipient's total CSLFRF award received directly from Treasury or received (through states) as a non-entitlement unit of local government is at or below $10 million; **AND**
2. Other federal award funds the recipient expended (not including its direct CSLFRF award funds) are less than $750,000 during the recipient's fiscal year.



CSLFRF – 21.027 – Section 2 – Alternative Compliance Examination Engagement

No changes made to the eligibility requirements

Expanded to include the new eligible use categories and to make other changes consistent with Section 1

Submission instructions were updated in the Other Information section, but they are not reflective of the current state which is as follows:

- The FAC is not currently able to accept these engagements; they should now be submitted via the Treasury portal.
- See the *April 2024 Treasury Project and Expenditure Report User Guide* for more guidance (beginning at page 79)

Supportive Housing for the Elderly (Section 202) – 14.157

Program Procedures

- Regulatory updates added
- Revision added to state that the initial project rental assistance contract term is up to 5 years and subsequent contracts are renewable for up to a 5-year term.

Activities Allowed/Unallowed

- Expanded this section to describe in more detail the activities owners are allowed to perform.

The Reporting compliance requirement is no longer subject to audit

Other Information

- Removed the CARES Act Funding section since no longer relevant

Student Financial Assistance Cluster

Clarification of the Matrix for Activities Allowed to clarify that it is subject to audit for HHS programs but not subject to audit for Education programs

Cash Management includes a revised description of Cash Management Program Requirements for Direct Loans – Monthly Reconciliations

Eligibility includes a new requirement section for Pell Grants for confined or incarcerated individuals

Changes were made to Reporting (under Special Reporting) relevant to the Fiscal Operations Report and Application to Participate requirements under Special Reporting

One new Special Test and Provision was added on Institutional Eligibility

Revisions made to the audit objectives and suggested procedures under other various Special Tests and Provisions.

Other Information section updated to include upcoming 2024-25 changes due to the Free Application for Federal Student Aid

Student Financial Assistance – Related Parties

If Title IV funding (SFA) is received from the U.S. Department of Education (Education), you should be aware of the final regulation titled, Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit (ATB), which requires institutions participating in the SFA program, among other things, to disclose:

- "All" related party transactions in their audited financial statements.
- Details such as related party name, location and description
- The absence of related party transactions or outstanding balances.

See specific language in 34 CFR 668.23(d)(1) and read FAQs issued by Education on the above rule

Effective date of the regulation is for financial statements submitted to the Department on or after July 1, 2024

Student Financial Assistance – Related Parties

The AICPA has developed and just released a TQA on the audit and reporting implications of the Education requirement

Discusses 2 options for the auditor depending on how an institution presents the additional related party information

- The related party disclosure addressing both GAAP and the Education requirement is covered by the auditor's opinion
  - If the auditor is unable to obtain sufficient appropriate audit evidence about the related party disclosure, modification to the auditor's opinion may be necessary
- The information to meet the Education requirement is clearly differentiated and not covered by the auditor's opinion
  - The separate note containing the Education-required information would be marked unaudited

The TQA is now available at: https://www.aicpa-cima.com/resources/download/tqa-section-6960-13

Student Financial Assistance – Related Parties

Auditor considerations discussed in the TQA when the related party disclosure is covered by the auditor's opinion

- Procedures in AU-C Section 550, *Related Parties*, may be adapted as appropriate for the additional disclosures
- The auditor should make inquiries of management and others and perform other risk assessment procedures to obtain an understanding of controls
- The auditor may consider establishing a lower materiality for the additional disclosures
- Management should provide written representations specific to the additional disclosures

The auditor is providing reasonable assurance which is not absolute assurance and therefore is not a guarantee

Student Financial Assistance – Other Updates

Electronic announcement, General-23-121-Requirement for Institutions to Have Certain Calculations Related to Institutional and Program Eligibility Substantiated by an Independent Auditor

- Auditors should substantiate the calculation of certain institutional eligibility ratios

Electronic announcement General-23-117-Institutional Reporting and Department Treatment of Certain U.S. Army Tuition Assistance Funds for Purposes of the 90/10 Calculation

- Proprietary Schools

Announcement 23-121 is effective for award years ending on June 30, 2025

Announcement 23-117 is related to the Education Audit and Attestation Guide

Disaster Grants – Public Assistance (Presidentially Declared Disasters) - 97.036

SEFA recognition confusion particularly when States place additional requirements on the funding

- 2024 *Compliance Supplement* added clarity
- FEMA may refer to the award date as the obligation date; however, while these two terms have slightly different technical meanings, the obligation and award occur simultaneously for public assistance awards and subawards
- Even considering above, FEMA awards are considered pass-through (and not direct) when a state agency is used to disburse the funds.

SEFA implications of disallowances

Duplication of Benefits - FEMA reviews

Other Information (excerpt from 2024 Supplement)

"Nonfederal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when (1) FEMA has approved the nonfederal entity's Project, and (2) the nonfederal entity has incurred the eligible expenditures. ***FEMA's approval of a subaward is indicated when FEMA obligates the federal share of the eligible project cost to the recipient.*** *Federal awards expended in years subsequent to the fiscal year in which the Project is approved are to be recorded on the nonfederal entity's SEFA in those subsequent years."*

Part 5 – Other Clusters

A new cluster was added, Tribal Self-Governance and Determination Cluster (93.210/93.441)

Hurricane Sandy Relief Cluster (93.095/93.096) was deleted in its entirety

Several clusters had programs that were removed from the cluster and therefore no longer listed as clusters as follows:

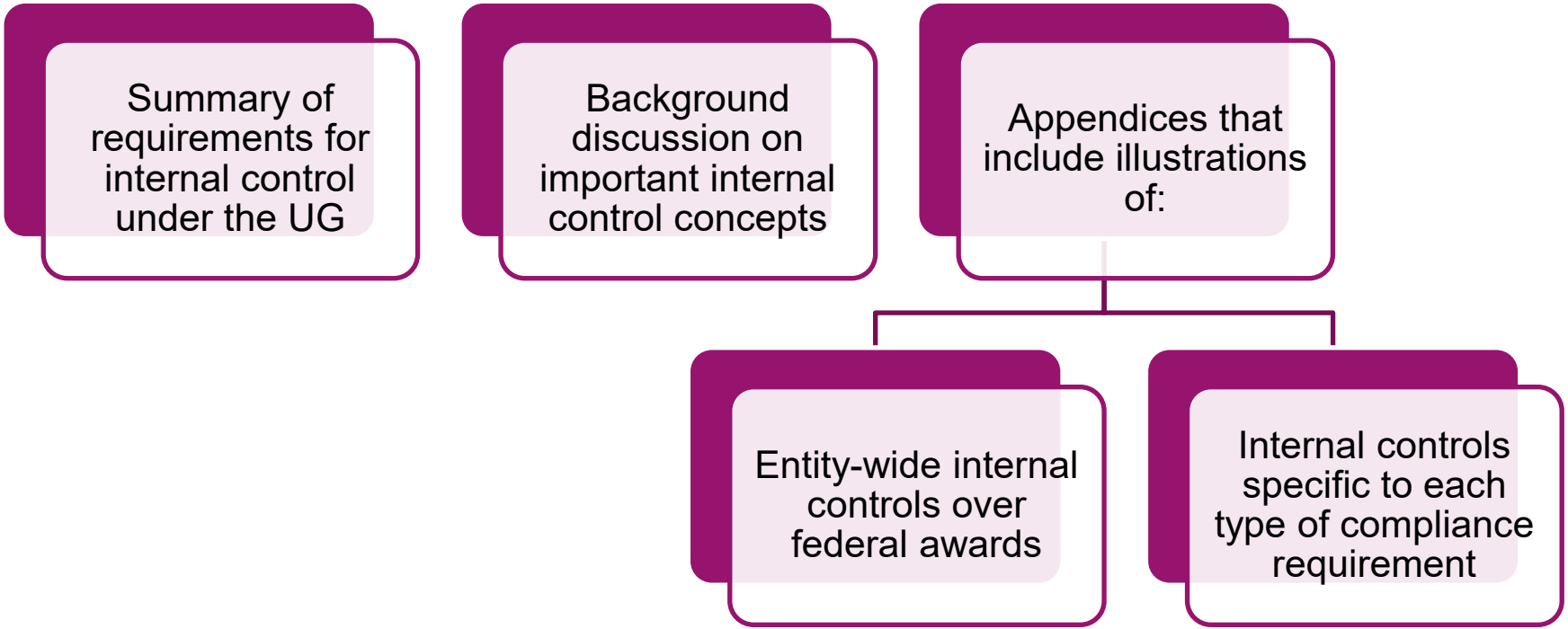
- Community Facilities Loans and Grants (10.766/~~10.780~~)*
- Clean Water State Revolving Fund (66.458/~~66.482~~)*
- Drinking Water State Revolving Fund (66.468/~~66.483~~)*

Other clusters with program deletions:

- Section 8 Project-Based Cluster (~~14.182~~ /14.195 /14.249/ 14.856)
- Highway Safety Cluster (20.600/~~20.611~~/20.616)

* Remaining program now included as a separate program in Part 4

Part 6 Reminders



Part 7 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?

Watch the archived GAQC Web event, Hot Topics in Auditing Pandemic Funding, which delves into using Part 7 in more detail

Appendix IV - 2024 “Higher Risk” Programs

Assistance Listing (CFDA) Number	Title
93.778/93.777/93.775**	Medicaid Cluster
21.023*	Emergency Rental Assistance
21.027*	Coronavirus State and Local Fiscal Recovery Funds
15.252**	Bipartisan Infrastructure Law (BIL) Abandoned Mine Land (AML) Grants

Appendix IV has been renamed to “Higher Risk Designation.” This Appendix removed the previous list of programs which have “Other Information” sections in Part IV of the Supplement.

*** Supplement identifies these programs as being considered 100% COVID-19 funding or IIJA funding.**

**** Supplement identifies these programs as being existing programs that received additional funding from one or more of the COVID-19 laws or the IIJA.**

Appendix IV - Programs Removed from Higher Risk List

- 84.425 – Education Stabilization Fund
- 93.498 – Provider Relief Fund
- 21.026 – Homeowner Assistance Fund
- 21.029 – Coronavirus Capital Projects Fund
- 96.001/96.006 – Disability Insurance/ Supplemental Security Income

Appendix VII – Other Audit Advisories

The most significant updates are as follows:

Due date for submission of audit reports and low-risk auditee criteria – Emphasizes that the auditor considers both the 30-day aspect of the single audit due date AND the nine-month aspect (prior Supplements only referred to the nine-month aspect)

Among the audit procedures described:

Obtain a copy of the DCF and reporting package for prior-year

- Calculate the “Due Date” to file
- Compare the initial “FAC Accepted Date” to the earlier of 9 months and 30 days to determine if due date was met.

Contact the FAC Help Desk if additional information is needed

What is the Single Audit Submission Due Date?

The earlier of (i) nine (9) months after the end of the audit period or (ii) 30 calendar days after the entity received the auditor’s report

Appendix VII – FAC Transition

GSA took over the FAC from the U.S. Census Bureau on October 2, 2023, and is accepting:

- Single audits with periods ending in 2023 and 2024
- Single audits of other periods that were not submitted as required to Census before October 1, 2023
- Resubmissions

This section has been updated to describe the FAC transition and all previous waivers granted. Note that there are no new waivers provided by OMB.

While still work to be done, things have been improving

Appendix VII – UG Revisions

New section that clarifies the effective date of the increase in the single audit threshold to $1 million (established in the recently revised UG)

Effective date threshold increase is for auditee fiscal years beginning on or after October 1, 2024 (that is, fiscal year ends September 30, 2025, and later)

Although Appendix VII is silent, it is our understanding that this same effective date applies to increase in the type A threshold to $1 million

This section also discusses the broader government-wide effective date of the UG (for awards issued on or after October 1, 2024), how federal agencies may elect to implement the revisions as early as June 21, 2024, and the related auditor implications (see next slide)

Appendix VII – UG Revisions

The auditor should perform reasonable procedures to ensure that compliance requirements identified as subject to the audit are current and determine whether there are any additional or modified provisions of federal awards based on the 2024 revisions.

Auditors must not, however, apply compliance requirements from the 2024 revisions in circumstances in which the federal agency has not yet applied the 2024 revisions to the federal award subject to audit.

Appendix VII – Other Reminders

Requirement to separately identify COVID-19 expenditures on the SEFA and DCF retained

- SEFA: on a separate line by ALN with “COVID-19” as a prefix to the program name
- DCF: on a separate row with "COVID-19" in Part II Item 1c, *Additional Award Identification*
- Although not discussed in Appendix, Education has issued separate identification guidance for its programs that use alpha characters

Note that Appendix VII did not establish similar SEFA and DCF requirements for IIJA funding

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

Panel discussion – What aspects of the 2024 Supplement would you be emphasizing with your clients the most?



What's Next? 2025 Supplement Process

OMB is expected to begin working on the 2025 Supplement this summer

Expect a similar level of change as this year

- Changes to Part 3 for the recent UG
- Approximately 100 programs with changes expected
- Some COVID-19 guidance will need to be removed
- New IIJA program sections or revisions to existing programs for IIJA provisions
- Continued improvements to Part 4 reporting sections



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Uniform Guidance Revisions



UG Revisions

OMB issued final revisions to the UG in a *Federal Register notice* on April 22, 2024

A redline document showing the UG revisions is also available with several reference guides

The effective date stated in the FR notice is October 1, 2024 (applied to awards issued on or after that date)

A memo to federal agencies further discusses effective date and the implementation of the new regulation

- Federal agencies can apply the new guidance prior to October 1, 2024, but they are not required to do so
- Federal agencies cannot apply the new changes prior to June 21, 2024 (60 days from the release of the final rules)

We will discuss various transitional issues and questions on effective date on later slides

UG Revisions – Important Definitional Changes

Section 200.1 *Definitions*

There are several new or revised definitions of note that auditors should be aware of, including the following:

- Equipment – Capitalization threshold increased from $5,000 to $10,000
- Modified Total Direct Costs – increased definitional threshold for up to $50,000 (it was $25,000) of each subaward
- Questioned Costs – updated the definition to clarify and provide examples of what a questioned cost is/isn't. The definitions of known and likely questioned costs were moved from 2 CFR 200.516 into 2 CFR 200.1

Note also that throughout subparts A – E of the new UG the term non-federal entity has been replaced with recipient and/or subrecipient. However, subpart F, *Audit Requirements*, retains the use of the non-federal entity term to align with the Single Audit Act.

UG Revisions – Key Auditee Changes

Section 200.303, *Internal Controls*

- Made Plain English changes, including the replacement of non-federal entity with recipient and subrecipient
- Section 200.303(a) added emphasis that recipients and subrecipients must document internal control
- Section 200.303(e) added a requirement that a recipient/subrecipient take “reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information.”

Section 200.314 *Supplies*

- Increased threshold from $5,000 to $10,000 regarding requirement in 200.314(a) to remit unused supplies.

UG Revisions – Key Auditee Changes

Section 200.317 *Procurements by States and Indian Tribes*

- Significant update to allow Tribes to be treated the same as states, thereby allowing them to follow their own procurement policies and procedures as opposed to those in Section 200.318.

Section 200.333 *Fixed Amount Subawards*

- Increased the threshold for fixed amount subawards from the previous simplified acquisition threshold to $500,000

Section 2 CFR 200.414 *Indirect Costs*

- Increased in the de minimis rate to an amount up to 15%
- Requirement that PTEs must accept all federally negotiated indirect cost rates for subrecipients
- Clarification that a recipient or subrecipient may notify OMB of any disputes with Federal agencies regarding the application of a federally negotiated indirect cost rate. However, OMB clarifies they will not be a formal arbitrator of indirect cost rate disputes.

UG Revisions – Key Auditee Changes

Section 2 CFR 200.415 *Required Certifications*

- 200.415(b) added requirements for subrecipients to certify to the PTE whenever applying for funds, requesting payment, and submitting reports. It applies to all tiers of subrecipients.

Section 2 CFR 200.419 *Cost Accounting Standards*

- Removed the requirement for an IHE that receives an aggregate total of $50 million or more in Federal awards to submit a disclosure statement (DS-2)



UG Revisions – Key Auditor Changes

Section 200.501 *Audit Requirements*

- Increased the single audit threshold from $750,000 to $1,000,000

Section 200.518 *Major Program Determination*

- Increased the Type A threshold to $1 million and the amount of awards expended for which it applies increased from $25 million to $34 million

Section 200.514 *Standards and Scope of Audit*

- Clarified that the auditor must determine whether the financial statements are presented fairly in accordance with GAAP or a special-purpose framework
- Added a statement that the compliance testing must include tests of transactions or other auditing procedures necessary to provide the auditor with sufficient appropriate audit evidence to support an opinion on compliance

Section 200.516 *Audit Findings*

- Added that when there are known QC, but the dollar amount is undetermined or not reported, a description of why the dollar amount was undetermined or otherwise could not be reported, must be documented.

Panel Discussion – What are considerations that you think our members need to be aware of from a transitional perspective from the current UG to the new UG?



UG Revisions – Effective Date Considerations

Common Questions to Date	Answer
Can we adopt the new audit threshold for our client base for their June 30, 2024, audits?	No. Can't adopt it until audits of years ending September 30, 2025, or later
Should I adopt the new $1 million type A program threshold for our June 30, 2024, audits?	No. Can't adopt until audits of years ending September 30, 2025, or later
How will we deal with testing compliance when some awards will be subject to the current UG and some the new UG?	You will need to determine the UG criteria relevant to each award. We expect the 2025 Supplement to address both the current and new UG requirements in Part 3.
How can I determine if an award is subject to the current UG or the new UG?	For new awards, will be based on the date. Can also look to the terms and conditions.
During the transition from Circular A-133 to the UG (ten years ago), there was a concept of incremental funding into existing awards that allowed the new rules to be applied. Will that same concept apply this time?	We are unsure. Will need to wait for OMB guidance.

UG Revisions – Effective Date Considerations

Common Questions to Date	Answer
What about subawards?	Will depend whether the new UG applied to the funding the subaward came from.
The new rule says some agencies can adopt the new UG in their awards as early as June 2024. How will we know which agencies have done this?	We have heard only 3 federal agencies have requested this ability from OMB. We believe OMB will disclose which have been approved to do so.
There seem to be a lot of transitional issues and questions. Will OMB be issuing guidance?	Yes. They are working on it. It will likely cover both transition issues from the auditee's perspective and the auditor's perspective.

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Other Single Audit Updates and Reminders



GAO Study on FAC Data

GAO released study in April: *Single Audits: Improving Federal Audit Clearinghouse Information and Usability Could Strengthen Federal Award Oversight*

Found data problems, some of which were related to auditor-submitted data

- Inaccurate ALNs
- Indirect awards inaccurately recorded as direct awards
- Audit opinions noted did not match underlying reports
- Incorrectly included financial statement findings
- COVID-19 identifier problems
- Incorrectly entered federal award expenditures, including truncation and rounding issues

GAO Study on FAC Data

Recommends Congress amend the Single Audit Act to require OMB to initiate a government-wide single audit quality review at a regular interval and includes ten other recommendations for GSA and OMB

Relevant focus points for your upcoming single audits:

- Re-emphasize to staff the importance of ensuring that data entered by the auditor is consistent across the various sections of the submission and that it matches the information in the reporting package
- If findings are reported, ensure that the required findings text is entered accurately as required

Single Audit Report Reissuances

The GAQC has noted an uptick in questions around reissuances, often due to pandemic funding that was overlooked by auditees

The key question is when does an auditor need to reissue prior year single audit reports and what are the auditor's responsibilities in doing that?

- In many cases, auditor judgment will be needed
- Relevant auditing standards are AU-C Section 560, *Subsequent Events*, AU-C Section 585, *Omitted Procedures After the Report Release Date* and AU-C Section 935, *Compliance Audits*

Auditor Reissuance Considerations

Does the SEFA need to be revised by the auditee and, if so, what is the impact on the auditor's in-relation-to report on the SEFA?

Does the auditor need to perform additional audit procedures?

What is the impact on the single audit opinion on compliance for each major program and on the reporting on internal control over compliance?

What is the impact, if any, on the report on internal control over financial reporting and on compliance and other matters (i.e., the Yellow Book report)?

Does the SFQC need to be modified by the auditor?

Does the single audit need to be resubmitted to the FAC?

Example 1: An auditor completed a 6/30/23 single audit and issued all reports. In 10/23, the auditee discovered that the SEFA was missing a major program that was not tested. The auditor proceeded to test the new major program and identified no program-related findings.

SEFA was misstated; in-relation-to reporting needs to be updated

Opinion on compliance and reporting on internal control over compliance needs to be reissued to address the additional major program

- Consider the guidance in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*. Paragraph .A12 states that indicators of material weaknesses in internal control include identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's internal control

- If the auditor identifies deficiencies in internal control that relate to the auditee's preparation of a complete and accurate SEFA, refer to paragraph 7.33 of the AICPA GAS-SA Guide which states that if a deficiency is determined to be a significant deficiency or material weakness, the auditor must report a finding in the SFQC

The SFQC will need to be reissued to reflect the additional major program

Single audit will need to be resubmitted to the FAC

Example Revised Table of Contents

Table of Contents

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (Reissued)

Schedule of Expenditures of Federal Awards (Restated)

Notes to Schedule of Expenditures of Federal Awards (Restated)

Schedule of Findings and Questioned Costs (Reissued)

Example 2: An auditor performs a single audit for an auditee's 12/31/22 year-end and issues all reports. The auditor later discovers that the needed percentage of coverage had not been met because the auditor erroneously identified the auditee as a low-risk auditee. Fortunately, the SEFA was correct.

An additional major program will need to be tested to meet the correct percentage of coverage requirement.

Opinion on compliance and reporting on internal control over compliance needs to be reissued to address the additional major program

The SFQC will need to be reissued to reflect the additional major program and any other findings noted (as applicable)

Single audit will need to be resubmitted to the FAC

Example 3: An auditor completes a 9/30/23 single audit. In 2/24, the auditee finds out from a PTE that a small program (not a type A or B program) was omitted from the SEFA. Total federal expenditures for the auditee was $3.2 million and the omitted program was $12,000. The PTE insists that the auditee modify the SEFA to add the program.

Recommend that the auditee revisit the need to restate the SEFA with the PTE due to the immaterial nature of the omission

If that approach doesn't work,

- The auditee needs to restate the SEFA
- The auditor reissues the in-relation-to opinion on the SEFA and considers the additional steps noted in Example 1

Final Thoughts on Single Audit Reissuances

- There are many scenarios with differing facts and circumstances involved with reissuances
- Auditor judgment is always needed
- Consider your firm's protocols
- Consider other guidance available – For example, the AICPA Center for Plain English Accounting's *Dual Dating Auditor & Accountant Reports – When is it Appropriate?*
- Consider need for dual dating, updated representation letter, subsequent events
- Documentation is critical



Governmental Audit Quality Center

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GAQC and AICPA Resources



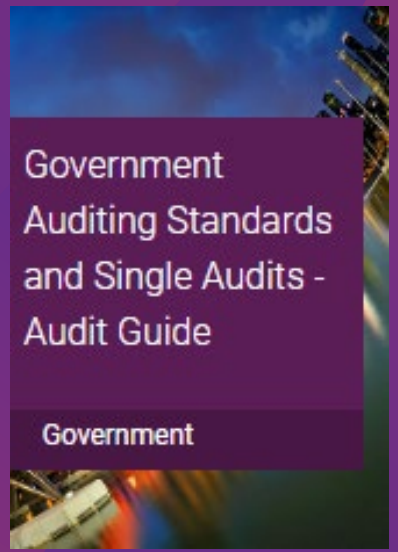
AICPA Audit Guide, Government Auditing Standards and Single Audits

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

2024 update expected in eBook and online subscription this summer

Key changes:

- Conforming changes relevant to SAS 148 and risk assessment
- Updates to certain pandemic funding information
- Updates for FAC changes



Order when published at: https://www.aicpa-cima.com/cpe-learning

GAQC Web Site (www.aicpa-cima.com/topic/government)

Key areas to check out and/or bookmark:

- GAQC Alert Archive Library
- Archived GAQC Web events
- Illustrative Auditor's Report Resource Center
- OMB Compliance Supplement Resource Center
- Single Audit Resources



"Summer Fun" GAQC CPE rebroadcast week (all times Eastern) – See *GAQC Alert #469 for registration information*

Friday, June 21st

- 11am to 1pm - 2023 Auditing State and Local Governments Lightning Round
- 2-4pm - 2024 Annual Required GAQC Webcast

Monday, June 24th

- 11am to 1pm – Implementing the Risk Assessment Standards in Your State and Local Government Financial Statement Audits
- 2-4pm – Key Recipient Roles and Responsibilities in Single Audits

Tuesday, June 25th

- 11am to 1pm – 2024 State and Local Government Audit Planning Considerations
- 2-4pm – What Federal Agencies are Finding in Single Audit QCRs

Wednesday, June 26th

- 11am to 1pm – 2024 OMB Compliance Supplement and Single Audit Update
- 2-4pm – Evaluating and Reporting Findings in a Single Audit

A chance to catch up on GAQC events you or your staff missed!



GAQC Resources

Auditees

Access GAQC Web event, *Preparing for Your First Single Audit: An Auditee Perspective*)

Other GAQC resources for auditees

- Procuring Governmental Services
- Tips for organizations subject to single audit requirements
- Getting Ready for a Single Audit
- FAQs for Organizations Needing a Single Audit

Auditors

- Access GAQC 4-part 8-hour Single Audit Fundamentals Events (CPE offerings offered periodically)
- Practice Aid, *Government Auditing Standards* Primer
- Single audit tips for auditors
- Smart Sampling in a Single Audit
- Tackling Internal Control Over Compliance in a Single Audit

AICPA 2024 Conferences

Not-for-Profit Industry Conference, June 17 - 18, 2024, National Harbor, MD*

Governmental Accounting and Auditing Update Conference, August 13 - 15, 2024, virtual offering only

Governmental and Not-for-Profit Training Program, October 28 - 30, 2024, Las Vegas, NV *

GAQC members get a discount when using code “GAQC” at checkout

*hybrid in-person and virtual event

Other AICPA Resources

Audit and Assurance

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

Ethics Division (including AICPA Ethics Code)
Ethics Hotline (888) 777-7077
ethics@aicpa.org

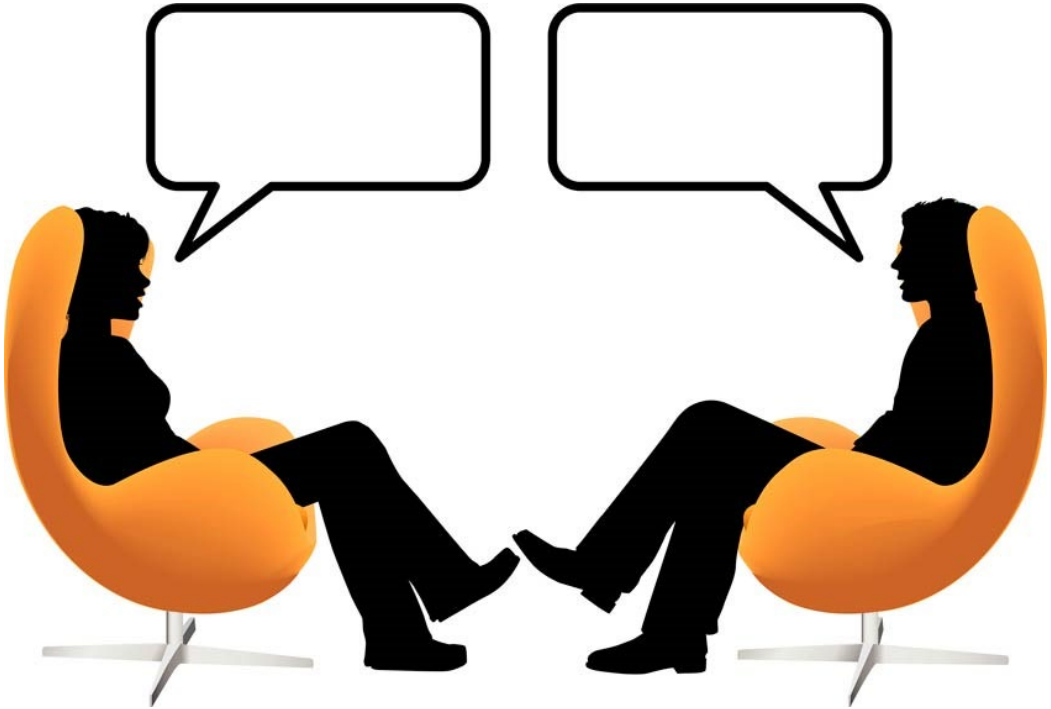
Not-for-Profit Section - For individuals interested in NFP A&A

Quality Management resources

Peer Review



Panel Discussion – What are the key takeaways you want auditors to be aware of?



How do I get my CPE certificate?

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- If you need assistance with locating your certificate, please contact the AICPA Service Center at 888.777.7077 or service@aicpa.org.



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Thank You!

