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Ohio Auditor of State

Ohio TOS CPIM Conference – CASH 217

Grants Management & Audit Compliance in Single Audits

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Agenda

How Do Auditors Determine What to Test in a Single Audit?

Focus Areas For Audit

How Do Auditors Determine What to Test in a Single Audit?

"The Single Audit Act of 1984" (Public Law 98-502)

Established requirements for certain gov's that administer Fed. programs	Amended in 1996 (31 USC 75)

OMB Circular A-128

Issued in 1985 to help auditors and recipients implement the new Single Audit Act	Extended to additional entity types in 1990 under ***A-133*** (modified in 2003 & 2007)

Uniform Guidance (UG)

Issued 2013; Updated in 2014 & 2015	Supersedes: A-87, A-102, A-133 (A-122, A-21, A-110, A-89 & A-50)

OMB Compliance Supplement

Issued by OMB each year to assist auditors in performing the required audits

Contains sections required to be audited & suggested audit tests

UG Effective Dates

Federal Agencies

Implement policies and procedures by adopting regulations to be effective 12/26/14

Non-Federal Entities (Admin. Req's & Cost Princ's)

Implement for all new Federal awards made on or after 12/26/14, and for certain incremental funding made after that date

Non-Federal Entities (Audit Req's)

Effective for audits of fiscal years beginning on or after 12/26/14

Ie. FYE 12/31/15

Early implementation is not permitted

What is UG?

Grants Reform

Uniform Guidance (UG)

Super-Circular

Omni-Circular

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

2 CFR Chapter II, Part 200

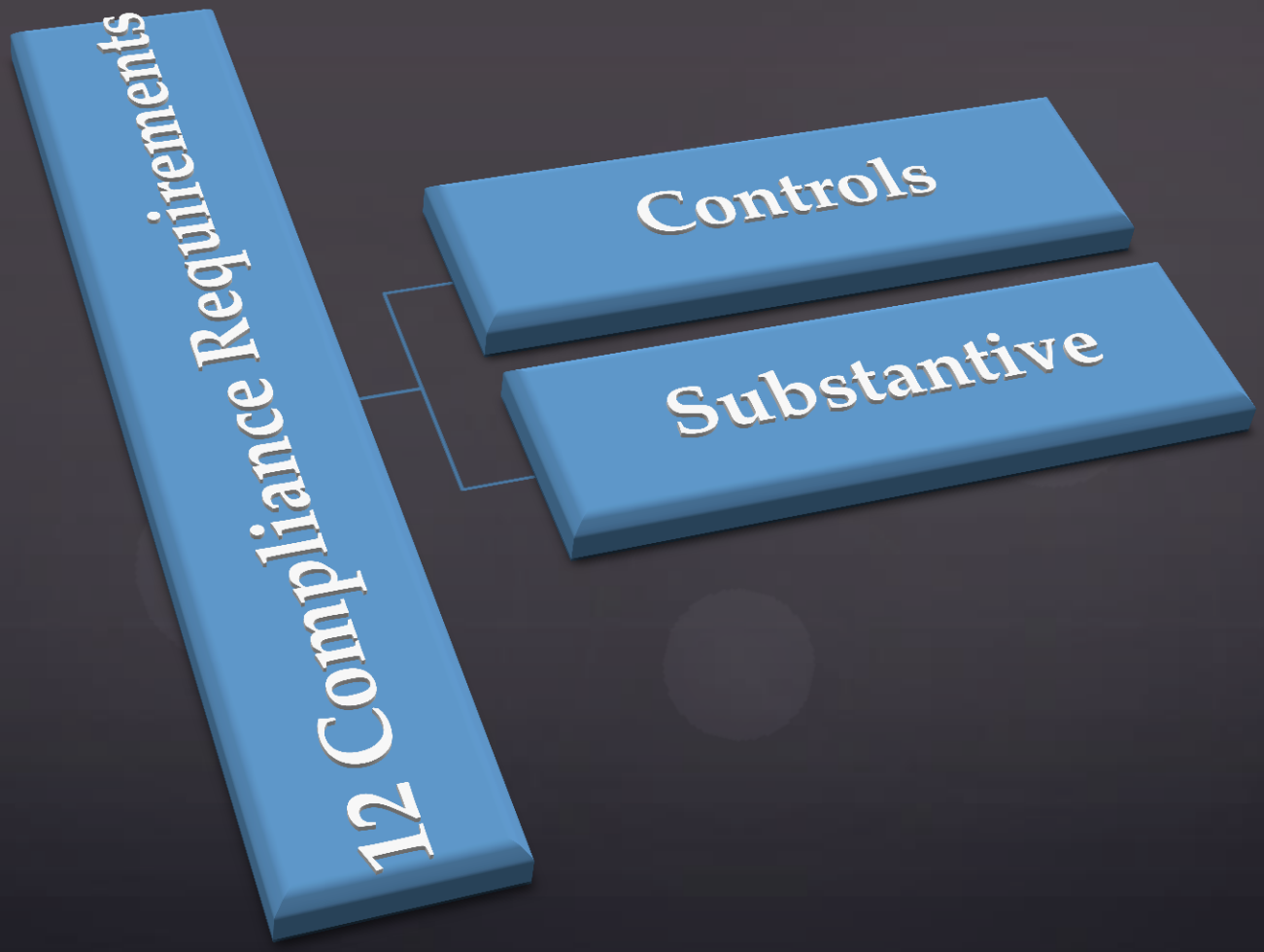
Uniform Grants Guidance (UGG)

Internal Controls

2 CFR 200.303 (UG)

A strong system of internal controls is <u>required</u> to be in place over federal grants	COSO and GAO's Green Book are suggested best practices

Focus Areas For Audit


12 Compliance Requirements
Controls
Substantive

12 Compliance Requirements

A Activities Allowed or Unallowed	**B** Allowable Costs / Cost Principles	**C** Cash Management
E Eligibility	**F** Equipment & Real Property Mgmt.	**G** Matching, Level of Effort, Earmarking

12 Compliance Requirements

H Period of Performance	I Procurement, Suspension & Debarment	J Program Income
L Reporting	M Subrecipient Monitoring	N Special Tests & Provisions

Auditors Only Test Sections Direct & Material to the Program & Entity

CFDA	Types of Compliance Requirements													
	A. Activities Allowed or Unallowed	B. Allowable Costs/Cost Principles	C. Cash Management	D. Reserved	E. Eligibility	F. Equipment and Real Property Management	G. Matching, Level of Effort, Earmarking	H. Period of Performance	I. Procurement and Suspension and Debarment	J. Program Income	K. Reserved	L. Reporting	M. Subrecipient Monitoring	N. Special Tests and Provisions
10 – United States Department of Agriculture (USDA)														
10.000*	Y	Y	Y			Y		Y	Y	Y		Y		Y
10.500	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	
10.551 10.561	Y	Y	Y		See Part 4	Y	Y	Y	Y			Y	Y	Y
10.553 10.555 10.556 10.559	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y

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Section A
Activities Allowed or Unallowed

What Does It Mean

- Was the grant spent only on items allowable per the grant agreement, regulations, guidelines?

Policy on determination of allowable costs now required under UG

Section A
Activities Allowed or Unallowed

Controls

- Look for key control(s) and test
- Ex. If a dept. requested a check for a cost unallowable under the grant agreement, reg's or guidelines, what control would ensure the pmt. was denied

Substantive

- Select transactions and determine if allowable

Section B
Allowable Costs / Cost Principles

What Does It Mean

- Was the grant spent only on items allowable per the Cost Principles (2 CFR 200 Subpart E)?

Policy on determination of allowable costs now required under UG

Section B
Allowable Costs / Cost Principles

Controls

- Look for key control(s) and test
- Ex. If a dept. requested a check for a cost unallowable under the Cost Principles, what control would ensure the pmt. was denied

Substantive

- Select transactions and determine if allowable under the Cost Principles
- Also incudes testing of Indirect Cost Plans and Cost Allocation Plans

Section C
Cash Management

What Does It Mean

- **When advance-funded** - Procedures in place to minimize the time elapsed between the draw-down of the federal funds, and the subsequent disbursement of those funds.
- **When reimbursement basis** – Procedures in place to ensure reimb's are requested only for allowable exp's already incurred.

Cash Mgmt. policy now required under UG

Section C
Cash Management

Controls

- Look for key control(s) and test
- **Ex. Advanced Funded** – what procedure assures funds are spent in time
- **Ex. Reimbursement Basis** – what procedure assures funds are spent before reimbursement is requested

Substantive

- Select cash draws and determine if complied
- Test interest earned on advanced funds for compliance

UG - $500 of interest earned per year on federal awards may now be kept for admin. exp's.

Section E
Eligibility

What Does It Mean

- Did only eligible individuals receive benefits?
- Each federal program has unique criteria for determining the individuals, groups of individuals, or subrecipients that can participate in the program, and the amount of assistance for which they qualify.

Section E
Eligibility

Controls

- Look for key control(s) and test
- Ex. If an ineligible individual requested benefits, what would ensure they did not receive such benefits?

Substantive

- Select individuals receiving benefits and determine if they should have.
- If eligibility guidelines are built into a computer system and determinations are made by the system, auditors perform tests over system.

Section F
Equipment & Real Property Mgmt.

What Does It Mean

- Recipients of federal funds must comply with certain requirements regarding the use, maintenance, and disposal of equipment & real property (e.g. buildings & land) purchased with federal money.

Section F
Equipment & Real Property Mgmt.

Controls

- Look for key control(s) and test
- Ex. If equipment or land is purchased with federal dollars, how would the appropriate personnel be made aware and then 'follow the rules' for use/maintenance/disposal (sold or transferred to another department)?

Substantive

- Select equipment / land transactions purchased with the grant funds and inspect (verify it exists).
- Verify required physical inventory was performed every 2 years
- Test if federal assets were properly disposed of and proceeds remitted to Federal agency (if applicable)

Section G
Matching, Level of Effort, Earmarking

What Does It Mean

- **Matching** – Includes requirements to provide (cash or in-kind) contributions (usually nonfederal) of a specified $ amt. or % to match federal awards.

Section G
Matching, Level of Effort, Earmarking

What Does It Mean

- **Level of Effort** – Includes requirements for:
  - A specified level of service to be provided from period to period
  - A specified level of exp's from nonfederal or federal sources for specified activities to be maintained from period to period
  - Federal funds to supplement (use in addition to) and not supplant (use in stead of) nonfederal funding of services

Section G
Matching, Level of Effort, Earmarking

What Does It Mean

- **Earmarking –** Includes requirements that specify the min. and/or max. $ amt. or % of the programs funding that must/may be used for specified activities, including funds provided to subrecipients

Section G
Matching

Controls

- Look for key control(s) and test
- Ex. If matching applies, how does the entity ensure it is met?

Substantive

- Test matching calculation and sources of matching contribution.

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Section G
Level of Effort

Controls

- Look for key control(s) and test
- Ex. If LOE applies, how does the entity ensure it is met? If there was a required service or expenditure level, how does the entity ensure it was maintained?

Substantive

- Maintenance of Effort - Test computation and obtain support
- Supplement Not Supplant – Test if total level of services applicable to the requirement increased in proportion to the level of Federal contribution

Section G
Earmarking

Controls

- Look for key control(s) and test
- Generally are very similar to those for matching & LOE

Substantive

- Select transactions and test the $ amount or %

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Section H
Period of Performance

What Does It Mean

- Federal awards may specify a time period during which the funds may be used
- Where a funding period is specified, costs may only be charged to the award resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal Awarding Agency.

Section H
Period of Performance

Controls

- Look for key control(s) and test
- Ex. What prevents federal funds from being obligated after the period of performance ends; or paying obligated funds after the required time period?

Substantive

- Test transactions charged to the grant during & after the Period of Performance to ensure the obligation occurred within the Period of Performance
  - Also test that the payment was made within the allowed time period

Section I
Procurement, Suspension & Debarment

What Does It Mean

- **Procurement** – Entities must establish procurement procedures covering the solicitation and award of contracts & subcontracts for goods & services.
- **Suspension & Debarment** – Entities must establish procedures to ensure goods and services are not purchased from suspended or debarred parties.

Policy on evaluation & selection of procurement by competitive proposal now required under UG

Section I
Procurement

Controls

- Look for key control(s) and test
- Ex. What prevents procurement transactions from bid-splitting, or being otherwise procured without competitive bidding, etc?

Substantive

- Test procurement policy
- Select procurements & test against policy

New UG procurement requirements – 2 year grace period to implement. Micropurchases new level.

Section I
Suspension & Debarment

Controls

- Look for key control(s) and test
- Ex. What prevents covered transactions from being made with entities that are suspended or debarred?

Substantive

- Test procurements to determine whether the entities policy was followed regarding suspended/debarred parties, before entering into the covered transaction.

Section J
Program Income

What Does It Mean

- Gross income earned that is directly generated by a supported activity or earned as a result of the grant during the period of performance
- Examples include: income from fees for services performed, the use or rental of real or personal property acquired under a federal award, principal & interest on loans made with Federal awards
- The following are NOT program income: rebates, credits, discounts, or interest earned on advances of federal funds.

Section J
Program Income

Controls

- Look for key control(s) and test
- Ex. What assures program income is complete, and spent for allowable purposes?

Substantive

- Test if program income was properly recorded and used in accordance with guidelines.

Section L Reporting

What Does It Mean

- Various financial, performance & special reports are required by federal awards

Section L Reporting

Controls

- Look for key control(s) and test
- Ex. What ensures all required reports for federal awards were accurate, complete, supported by applicable records, and were submitted timely?

Substantive

- Test calculations on selected reports & tie back to underlying records.

Section M
Subrecipient Monitoring

What Does It Mean

- Grants that are passed through to subrecipients are properly monitored.

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Section M
Subrecipient Monitoring

Controls

- Look for key control(s) and test
- Ex. What ensures the pass-through entity properly monitors their subrecipients?

Substantive

- Test if required info was contained in pass-through subaward documents
- Was monitoring sufficient, considering entities risk
- Were single audits performed on subrecipients, if required
- Was corrective action timely taken on deficiencies noted in audit

UG adds more prominence to subrecipient monitoring requirements and expands upon them.

Section N
Special Tests & Provisions

What Does It Mean

- Requirements that are unique to a Federal program
- Are considered additional direct & material requirements that need tested
- Can have multiple Section N's

Section N
Special Tests & Provisions

Controls

- Look for key control(s) and test

Substantive

- Test applicable steps as listed in the OMB Compliance Supplement

Section N
Special Tests & Provisions - Examples

Nutrition Cluster

- Verification of Free & Reduced Price Applications
- School Food Accounts
- Paid Lunch Equity

CDBG

- Citizen Participation
- Required Certifications and HUD approvals
- Environmental Reviews
- Rehabilitations
- Wage Rate Requirements

Section N
Special Tests & Provisions - Examples

Highway Plan. & Constr.

- Replacement of Publically Owned Real Property
- Project Extensions
- Quality Assurance Program
- Project Approvals
- Wage Rate Requirements

Title I

- Participation of Private School Children
- Schoolwide Programs
- Comparability
- Highly Qualified Teachers & Paraprofessionals
- Annual Report Card, High School Graduation Rate
- Assessment System Security

Grants Management & Audit Compliance

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