

**Single Audit
Major Program
Determination
(MPD)**

November 16, 2018

SPEAKER

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Your guide forward 

 **Cherry Bekaert**^{LLP}
CPAs & Advisors



Agenda

- ▶ Background
- ▶ Major Program Determination
- ▶ SEFA and Common Findings

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Background Information



Authority

- ▶ Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200
 - Current regulation that implements Single Audit Act
 - Replaces previous single audit and compliance regulations such as OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and other OMB Cost Circulars
 - Audit requirements, including MPD, are in subpart F



Agency Adoption

2 CFR Part Range	Agency Name
300-399	DEPARTMENT OF HEALTH AND HUMAN SERVICES
400-499	DEPARTMENT OF AGRICULTURE
600-699	DEPARTMENT OF STATE
700-799	AGENCY FOR INTERNATIONAL DEVELOPMENT
800-899	DEPARTMENT OF VETERANS AFFAIRS
900-999	DEPARTMENT OF ENERGY
1000-1099	DEPARTMENT OF TREASURY
1100-1199	DEPARTMENT OF DEFENSE
1200-1299	DEPARTMENT OF TRANSPORTATION
1300-1399	DEPARTMENT OF COMMERCE
1400-1499	DEPARTMENT OF THE INTERIOR
1500-1599	ENVIRONMENTAL PROTECTION AGENCY

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Effective Date – Program Requirements

- ▶ On or after Dec. 26, 2014, per Federal award
- ▶ Applicable compliance requirements for grants (Uniform Guidance or the previous OMB administrative and cost principles Circulars) are determined based on the FEDERAL award date to the grantee and specific instructions in subsequent grant amendments.
- ▶ Existing federal awards issued before the effective date are likely still subject to the requirements in the previous Circulars.

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Pass-Through Awards

- ▶ Subrecipients and subawards
 - The effective date of the Uniform Guidance for subawards is the same as the effective date of the federal award from which the subaward is made
 - The requirements for a subaward, no matter when made, flow from the requirements of the original federal award from the federal awarding agency

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Effective Date – Audit Requirements

- ▶ Fiscal year beginning on/after Dec. 26, 2014
- ▶ Applicability based solely on entity's fiscal year
- ▶ Has nothing to do with which compliance requirements apply to the audit of a particular grant.

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When Is A Single Audit Required

- ▶ When a non-federal entity expends federal awards (either direct or indirect awards) in excess of \$750,000 in their fiscal year
- ▶ A non-federal entity includes all of the following that carry out a Federal award as a recipient or subrecipient:
 - States & Local governments
 - Indian tribes
 - Institutions of higher education (IHE)
 - Not-for-profit organization

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Examples of Federal Awards

- ▶ Grants
- ▶ Contracts
- ▶ Cooperative Agreements
- ▶ Loans
- ▶ Loan Guarantees
- ▶ Property
- ▶ Interest Subsidies
- ▶ Insurance
- ▶ Direct Appropriations
- ▶ Endowments
- ▶ Other Non-Cash Assistance
- ▶ Indirect State or Local Gov't Transfers of Federal Funds

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Major Program Determination 2 CFR 200.518



Overview

- ▶ The auditor is responsible for determining major programs.
- ▶ The determination of major programs is based on an evaluation of the risk of noncompliance occurring that could be direct and material to an individual major federal program based on the content of the Schedule of Expenditures of Federal Awards (SEFA).

Let's Do An Example

Use Handout – ABC University



Clusters

- ▶ A grouping of closely related programs that share common compliance requirements
- ▶ Clusters are treated as one program for major program determination and testing
- ▶ Clusters include:
 - Research and Development (R&D)
 - Student Financial Assistance (SFA)



How do you know whether a particular program is part of a cluster?

Compliance Supplement Table of Contents

10.500 – Cooperative Extension Service.....	4-10.500
10.551 – Supplemental Nutrition Assistance Program (SNAP).....	4-10.551
10.553 – School Breakfast Program (SBP).....	4-10.553
10.555 – National School Lunch Program (NSLP).....	4-10.553
10.556 – Special Milk Program for Children (SMP).....	4-10.553
10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).....	4-10.557
10.558 – Child and Adult Care Food Program (CACFP).....	4-10.558
10.559 – Summer Food Service Program for Children (SFSP).....	4-10.553

How do you know whether a particular program is part of a cluster?

Compliance Supplement Matrix

10.500	Y	Y	Y		N	Y
10.551 10.561	Y	Y	Y		N	Y
10.553 10.555 10.556 10.559	Y	Y	Y		Y	Y
10.557	Y	Y	Y		Y	Y
10.558	Y	Y	Y		Y	Y

How do you know whether a particular program is part of a cluster?

Compliance Supplement Part 4

April 2017

Child Nutrition Cluster

USDA

UNITED STATES DEPARTMENT OF AGRICULTURE

- CFDA 10.553 SCHOOL BREAKFAST PROGRAM (SBP)
- CFDA 10.555 NATIONAL SCHOOL LUNCH PROGRAM (NSLP)
- CFDA 10.556 SPECIAL MILK PROGRAM FOR CHILDREN (SMP)
- CFDA 10.559 SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (Summer Food Service Program) (SFSP)

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How do you know whether a particular program is part of a cluster?

Compliance Supplement Part 5

April 2017

Other Clusters

OTHER CLUSTERS

Programs Included in this Supplement Deemed to Be Other Clusters

Agency	CFDA No.	Name of Other Cluster/Program
Foreign Food Aid Donation Cluster		
USDA	None	Food for Progress Program
	None	Section 416(b) Program
SNAP Cluster		
USDA	10.551	Supplemental Nutrition Assistance Program (SNAP)
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Child Nutrition Cluster		
USDA	10.553	School Breakfast Program (SBP)
	10.555	National School Lunch Program (NSLP)
	10.556	Special Milk Program for Children (SMP)
	10.559	Summer Food Service Program for Children (SFSP)

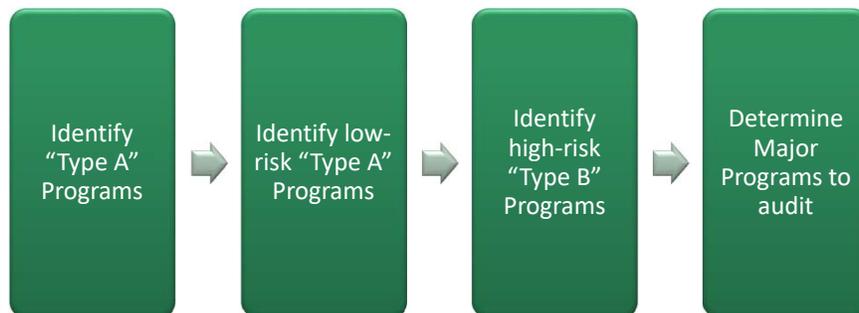
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Identify the clusters of programs in our example

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Four-step Approach to Major Program Determination



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Step 1 – Type A Threshold

- ▶ Groupings are based on dollars —

Total Federal Awards Expended	Type A Threshold
\$750,000 to \$25 million	\$750,000
Exceed \$25 million and less than or equal to \$100 million	3% of Total Federal Awards Expended
Exceed \$100 million, but less than or equal to \$1 billion	\$3 million
Exceed \$1 billion, but less than or equal to \$10 billion	0.3% of Total Federal Awards Expended
Exceed \$10 billion, but less than or equal to \$20 billion	\$30 million
Exceed \$20 billion	0.15% of Total Federal Awards Expended

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Step 1 – Type A Threshold

- ▶ Federal programs that do not meet the type A criteria are labeled type B programs.

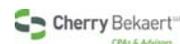
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Step 1 – Type A Threshold

- ▶ Inclusion of large loans and loan guarantees should not result in the exclusion of other programs as type A programs.
- ▶ “Federal program providing loans” is one in which the value of federal awards expended for loans within the program comprises 50% or more of the total federal awards for the program.

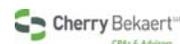
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Step 1 – Type A Threshold

- ▶ “Large loan program” is one in which the federal program providing loans exceeds **four times** the largest non-loan program.
- ▶ A large loan program is a type A program and its value is excluded when determining the type A threshold.
- ▶ The type A threshold is then calculated after removing the total of all large loan programs.

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Loan & Loan Guarantee

- ▶ In determining the value of total federal awards expended for loans and loan guarantees, in addition to the value of new loans made or received during the audit period, auditees must include the balances of loans from previous years in the SEFA if the federal government imposes continuing compliance requirements.

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Step 1 – Type A Threshold

- ▶ EPA clarification (Clean Water/Drinking Water)
 - CWSRF amounts are awarded by EPA to States as grants. The States then make subawards in the form of loans to subrecipients. Therefore, in determining the amount of Federal funds expended to be reported on the SEFA, subrecipients receiving CWSRF loans should include project expenditures incurred under these loans during the audit period as provided in 2 CFR section 200.502(a). These are subawards—not direct Federal loans—and, therefore, neither 2 CFR sections 200.502(b) or (d) apply when calculating the amount of Federal funds expended.

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Step 1 – Type A Threshold

- ▶ EPA clarification (Clean Water/Drinking Water)
 - It also is important to appropriately identify these CWSRF loans as subawards because of the impact on which Federal agency is the cognizant or oversight agency. When completing the SF-SAC, the subrecipient should indicate that a CWSRF loan received from the State is not a direct award by showing an “N” in Part III, Item 6(h).

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Is the SFA cluster a large loan program?

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Step 1 – Type A Threshold

- Groupings are based on dollars —

Total Federal Awards Expended	Type A Threshold
\$750,000 to \$25 million	\$750,000
Exceed \$25 million and less than or equal to \$100 million	3% of Total Federal Awards Expended
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Exceed \$10 billion, but less than or equal to \$20 billion	\$30 million
Exceed \$20 billion	0.15% of Total Federal Awards Expended

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What is the Type A threshold?

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How many programs are Type A?

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Step 2 - Low-Risk Type A Program

- ▶ Risk-Based Approach
 - Current and prior audit experience
 - Oversight exercised by federal agencies and pass-through entities
 - Inherent risk of the Federal program
- ▶ Follow the steps laid out in 2 CFR 200.518

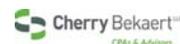
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Step 2 - Low-Risk Type A Program

- ▶ Audited as a Major program in at least one of the 2 most recent audit periods **and** in the most recent audit period must not have had:
 - Material weaknesses in internal control (Major Program)
 - A modified opinion on major programs.
 - Known or likely questioned costs that exceed 5% of total Federal awards

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Step 2 - Low-Risk Type A Program

- ▶ The Uniform Guidance permits a federal awarding agency to request that a type A program for certain recipients not be considered low-risk so that it would be audited as a major program

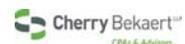
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Additional Information

- ▶ No type A program risk criteria indicate a higher risk for any type A program
- ▶ The SFA cluster was audited as a MP last year
- ▶ The R&D Cluster was last audited in 2012
- ▶ No Type A program, in the most recent audit period, had
 - IC deficiencies
 - A modified opinion
 - Known or likely questioned costs

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Identify High Risk Type A Program

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Step 3 - Type B Programs Required for Audit

- ▶ Only assess risk on Type Bs that exceed 25% of the Type A threshold (\$)
- ▶ Number of High Risk Type B programs that must be tested (#):
 - HR Type Bs, but no more than **at least** $\frac{1}{4}$ of the **number** of LR Type As
 - Stop assessing Type Bs after enough HR type Bs are identified

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Which Type B programs require a risk assessment?

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How many HR Type B programs do we need to identify?

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Step 3 - Type B Programs Required for Audit

- ▶ Identify type B programs that are high-risk by using your professional judgment and the criteria in 2 CFR 200.519:
 - Current and prior audit experience
 - Oversight exercised by federal agencies and pass-through entities
 - Inherent risk of noncompliance of the federal programs

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Step 3 - Type B Programs Required for Audit

- ▶ Except for known material weakness in internal control or compliance problems as discussed in § 200.519 Criteria for Federal program risk paragraphs (b)(1), (b)(2), and (c)(1), a single criteria in risk would seldom cause a Type B program to be considered high risk.

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Step 3 - Type B Programs Required for Audit

- ▶ Auditor is encouraged to use an approach which provides an opportunity for different high-risk type B programs to be audited as major over a period of time.
- ▶ Document approach annually (examples)
 - Alphabetical by program name
 - Numerical by CFDA
 - Highest dollar value to lowest

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Step 3 - Type B Programs Required for Audit

- ▶ When the type A threshold calculation includes adjustment for large loan or loan guarantee programs, the type A threshold used for this 25% calculation for small type B programs is the same as the adjusted type A threshold which is required to be reported in the summary of the auditor's results in the schedule of findings and questioned costs

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Additional Information

- ▶ You decide to use alphabetical order to risk assess B programs
- ▶ Academic Exchange had a material weakness in Internal Control and had findings in prior years

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What Type of Program is Academic Exchange?

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What would you audit as a MP?

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Step 4 - Determine Which Major Programs to Audit

- ▶ All Type A programs except those identified as low-risk in Step 2
 - i.e. high-risk Type A programs
- ▶ Type B programs identified as high-risk in Step 3
- ▶ Any additional programs necessary to comply with the percentage of coverage rule

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Double Check – Percentage of Coverage

Reduces the minimum coverage required as follows:

Type of Auditee	Percentage
Not Low Risk	40%
Low-Risk	20%

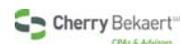
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Low Risk Auditee

- ▶ For 2 preceding audit periods
 - Single Audit performed
 - Unmodified opinion on FS prepared in accordance with GAAP or a basis of accounting required by state law.
 - SEFA in relation to opinion is unmodified
 - No material weaknesses in ICFR under YB
 - No going concern reported.
 - Must file timely—no more waivers

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Low Risk Auditee

- ▶ None of the federal programs had audit findings from any of the following in either of the preceding two years in which they were classified as type A programs:
 - Material weaknesses in internal control over compliance
 - Modified opinion on a major program in the auditor's report on major programs
 - Known or likely questioned costs that exceed 5 percent of the total federal awards expended for a type A program during the year.

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Auditor Judgment

- ▶ **Note:** The risk criteria used in the determination of low-risk type A programs is different than the risk criteria used in the determination of high-risk type B programs.
- ▶ The criteria to be used in determining type A programs is **VERY limited**
- ▶ This means that **less** auditor judgment is allowed in the risk assessment of type A programs.

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Let's Do Another Example

Use Handout – XYZ University



Identify the clusters of programs

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Is the SFA cluster a large loan program?

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What is the Type A threshold?

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How many programs are Type A?

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Identify High Risk Type A Program

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Which Type B programs require a risk assessment?

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How many HR Type B programs do we need to identify?

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Choose a method for assessing Type B programs – Not alphabetical

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XYZ University is NOT a low risk
auditee.

What programs did you choose as
major?

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The SEFA



Auditee Responsibility

- ▶ The auditee is responsible for preparing the SEFA for the period covered by the auditee's financial statements.
- ▶ The Uniform Guidance specifies the content required to be included in the SEFA.

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Auditor Responsibilities

- ▶ The auditor is required to provide an opinion (or disclaimer of opinion) on whether the SEFA is fairly stated, in all material respects, in relation to the financial statement as a whole.
- ▶ When issuing an in-relation-to opinion on the SEFA, the auditor need not apply procedures as extensive as would be necessary to express an opinion on the SEFA on a stand-alone basis.

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Basis of Accounting

- ▶ The Uniform Guidance does not prescribe the basis of accounting to be used by the auditee to prepare the SEFA.
- ▶ Provide in-relation-to opinions on SEFA if
 - the schedule can be reconciled back to the underlying records used in preparing the financial statements or to the statements themselves.

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SEFA

- ▶ For loan or loan guarantee programs, identify in the notes to the schedule the balances outstanding at the end of the audit period.
 - This is in addition to including the total federal awards expended for loan or loan guarantee programs in the schedule.
- ▶ Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate.

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Audit Findings

- ▶ Threshold for reporting known and likely questioned costs is **\$25,000**
- ▶ Identify questioned costs by CFDA number **and applicable award number**
- ▶ Identify whether audit finding is a **repeat from the immediately prior audit and if so the prior year audit finding number**
- ▶ Audit finding numbers must be in the format prescribed by the data collection form

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Required Elements

- ▶ Identifying Information
 - Federal program and specific Federal award identification including the CFDA title and number
 - Federal award identification number and year
 - Name of Federal agency
 - Name of the applicable pass-through entity

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Required Elements

- ▶ The criteria
- ▶ The condition
- ▶ A statement of cause
- ▶ The possible asserted effect
- ▶ Identification of questioned costs and how they were computed

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Required Elements

- ▶ Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systemic problem.
 - Where appropriate, instances identified must be related to the universe and the number of cases examined and be quantified in terms of dollar value.
 - The auditor should report whether the sampling was a **statistically valid** sample

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Required Elements

- ▶ Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so any applicable prior year audit finding numbers.
- ▶ Recommendations to prevent future occurrences
- ▶ Views of responsible officials of the auditee

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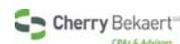
Common Findings



Common Findings

- ▶ The auditor failed to accurately identify or test (or both) all major programs in accordance with the requirements.
- ▶ The most common reasons found are as follows:
 - Failure to combine expenditures having same CFDA number
 - Improper clustering of related program CFDA #s
 - Using an improper threshold
 - Improper low-risk auditee assessment
 - Failure to consider large loan programs in MPD

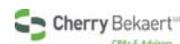
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Common Findings (continued)

- ▶ The auditor improperly identified the entity as a low-risk auditee.
- ▶ The most common reasons found are
 - the auditee did not file a data collection form in a prior year;
 - a modified opinion was issued within the prior two years either over the FS or the SEFA;
 - material weaknesses in internal controls over financial reporting or compliance within the last two years; and
 - material noncompliance on federal programs within the last two years.

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Common Findings (Cont'd)

- ▶ The SEFA had missing information.
- ▶ Failure to audit amounts on the SEFA.

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Q&A Session



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**Single Audit Reporting
(Yellow Book)**
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Your guide forward

What Types of Opinions can be issued for a Government Audit?

- ▶ Financial Statement
- ▶ Yellow Book
- ▶ 2 CFR 200 – major Federal programs

GAAS v GAS

- ▶ Single Audit is performed in accordance with
 - Generally Accepted Auditing Standards (GAAS)
 - Results in the auditor reporting on the entity's **financial statements**
 - Standards applicable to financial audits contained in Government Auditing Standards
 - Results in the auditor reporting on **scope** of the auditor's testing of **compliance** and **internal control** over **financial reporting**

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What is Yellow Book?

- ▶ Also Known As
 - Governmental Auditing Standards (GAS)
 - Generally Accepted Government Auditing Standards (GAGAS)
 - Yellow Book
- ▶ Issued by the United States Government Accountability Office, Comptroller General of the United States

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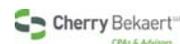


What is Yellow Book?

- ▶ Auditing standards that provide a framework for conducting high quality audits with competence, integrity, objectivity, and independence.

- ▶ Requirements and guidance
 - Ethics
 - Independence
 - Auditors' professional judgment and competence
 - Quality control
 - Performance of the audit
 - Reporting

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Five General Standards of Yellow Book

- ▶ Independence

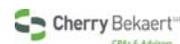
- ▶ Professional Judgment

- ▶ Competence

- ▶ Quality Control

- ▶ Assurance

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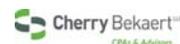


Competence

- ▶ Staff assigned to perform the audit must collectively possess adequate professional competence needed to perform a Yellow Book audit
 - Competence is a blend of education and experience

- ▶ Education
 - Every 2 years, at least 24 hours of CPE that directly relates to government auditing
 - If you charge more than 20% of time Yellow Book audits, you should obtain at least an additional 56 hours
 - Total – 80 hours of Yellow Book CPE every 2 years

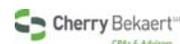
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When do I have to follow Yellow Book?

- ▶ These standards are for use by auditors of government entities and entities that receive government awards and audit organizations performing Yellow Book audits.
 - Governmental Entities
 - Single Audits (2 CFR 200)
 - Required by certain laws or other regulations

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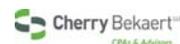


What makes it different?

- ▶ These standards add additional audit steps
 - You still have to follow generally accepted auditing standards

- ▶ Major Differences:
 - Internal controls over financial reporting
 - Compliance with provisions of laws, regulations, contracts, and grant agreements that may have a material effect on the financial statements

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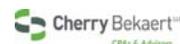


What makes it different?

- ▶ Internal Control
 - Yellow Book includes internal control as its own standard rather than as a subset of other standards

 - Yellow book requires you to report on internal controls over financial reporting

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Reporting on Internal Control Over Financial Reporting

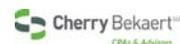
Yellow Book

- ▶ In a written report on internal control over financial reporting
- ▶ Every financial statement audit

AU-C Section 265

- ▶ In a written communication to management and those charged with governance
- ▶ Only when significant deficiencies or material weaknesses are identified

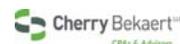
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The Yellow Book Report

- ▶ This opinion will cover the consideration of internal control over financial reporting and compliance with grant requirements, laws and regulations that could have a material effect on the financial statement.
- ▶ *“In planning and performing our audit of the financial statements, we considered the entity’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of entity’s internal control.”*

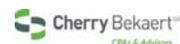
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Findings

- ▶ Every finding (such as identified weaknesses in internal controls over financial reporting) must be written with the following elements:
 - Criteria
 - Condition
 - Cause
 - Effect or potential effect
 - Recommendation
 - Management's response
- ▶ Previous Findings – follow up to determine whether appropriate corrective action was taken

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Criteria

- ▶ **Definition** - Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings.
- ▶ **Example** - Accounting principles generally accepted in the United States of America require that constructed assets substantially completed and placed in service are to be depreciated at that time.

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Condition

- ▶ **Definition** - Condition is a situation that exists. The condition is determined and documented during the audit.

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Condition Cont'd

- ▶ **Example** - Auditor selected a sample of high risk construction-in-progress projects from Governmental Activities & Water Enterprise Funds that had beginning balances & no activity through the date of Oracle implementation of August 5, 2017. Selected projects were investigated to ascertain whether or not the project was substantially complete & should have been placed in service during the current year. Of the 13 Governmental Activities projects selected, 2 were substantially complete & should have been placed in service & depreciated during the current year. Of the 20 Water Resource projects selected, 3 were substantially complete & should have been placed in service and depreciated during the current year.

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Cause

- ▶ **Definition** - The cause identifies the reason or explanation for the condition or the factor or factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria).
- ▶ **Example** - The misstatement is attributed to a lapse in existing controls that were currently in place to annually assess CIP projects.

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Effect or potential effect

- ▶ **Definition** - The effect is a clear, logical link to establish the impact or potential impact of the difference between the situation that exists (condition) and the required or desired state (criteria). The effect or potential effect identifies the outcomes or consequences of the condition.

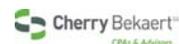
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Effect or potential effect, cont'd

- ▶ **Example** - The effect of the error on Governmental Activities resulted in depreciation expense being understated by approximately \$289,000 and a classification error of approximately \$5,859,000 between CIP and depreciable capital assets. The effect of the error on the Water Enterprise Fund resulted in depreciation expense being understated by approximately \$50,000 and a classification error of approximately \$2,500,000 between CIP and other capital assets categories.

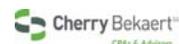
19



Recommendation

- ▶ **Definition** - What the auditors recommend that management do to fix the situation
- ▶ **Example** - We recommend that management strengthen their financial reporting controls over CIP and depreciation by implementing a year-end procedure to prepare and analyze a listing of construction projects that details beginning of year balances, additions, deletions, and end of year balances for each project. Each project with little or no activity for the year should be investigated by management to determine whether or not it should have been transferred out of CIP to a depreciable asset account.

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Management's Response

- ▶ **Definition** – This is **MANAGEMENT's** planned corrective action.

- ▶ **Example** - County Administration will develop the quarterly process recommended and will directly change the status of substantially completed capital projects in the ERP system to *completed*, if feasible. This will assure that financial records are updated at the time the change takes place.

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What makes it different?

- ▶ Compliance
 - When performing a Yellow Book audit, the auditor is required to obtain an understanding of the provisions of laws, regulations, **contracts, and grant agreements** that may have a material effect on the financial statements.

 - This consideration must be documented in the audit file

 - Some ways to identify provisions that may have a material effect on the financial statements

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What makes it different?

- ▶ Considerations of abuse
 - Auditors are not required to detect abuse in financial audits
 - However, **if we become aware of abuse** that could be material to the financial statements the auditor should apply procedures to determine the impact to the financial statements

- ▶ Examples of abuse

- ▶ Potential effects of abuse

23



Significant Changes

2018 Yellow Book

- ▶ Structure
- ▶ Independence
- ▶ Peer Review
- ▶ Waste
- ▶ CPE





Definition

“The act of using or expending resources carelessly, extravagantly, or to no purpose. Waste can include activities that do not include abuse and does not necessarily involve a violation of law.”

Effective Dates

The 2018 revision of Government Auditing Standards is effective for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020, and for performance audits beginning on or after July 1, 2019.

Early implementation is not permitted.

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Single Audit Objectives

- ▶ Audit of the entity's financial statements and reporting on the schedule of expenditures of federal awards
 - Determine whether the FS are presented fairly **in conformity** with the applicable financial reporting framework
 - Determine whether the SEFA is presented fairly **in relation to** the auditee's financial statements as a whole

- ▶ Compliance audit of federal awards
 - Determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to **federal awards** that may have a direct and material effect on each of its major programs

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2 CFR 200 Report

- ▶ The auditor has additional testing and reporting responsibilities for **compliance**, as well as **internal control over compliance**, beyond a financial statement audit

30



What Compliance?

- ▶ The **compliance requirements** described in the 2 CFR 200 Compliance Supplement.
 - Includes Compliance Supplement—now biennial with minimal changes for second year
 - Includes FAQs: <https://cfo.gov/wp-content/uploads/2017/08/July2017-UniformGuidanceFrequentlyAskedQuestions.pdf>
 - Includes grant agreement and grant application

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Objective?

- ▶ Express an opinion on compliance for each major program.
- ▶ To Report on Internal Control over Compliance but not to express an opinion on the effectiveness.

32



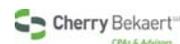
Schedule of Findings and Questioned Costs

- ▶ Summary of the auditors results (2 CFR 200.515(d))
 - Elements of findings can be found at 2 CFR 200.516(b)
 - Similar to Yellow Book finding elements, but not exactly the same

- ▶ Summary Schedule of Prior Audit Findings
 - Prepared by auditee and printed on their letterhead
 - Report status of all findings from prior audits that were not reported as corrected on the previous schedule

- ▶ Corrective Action Plan
 - Prepared by auditee and printed on their letterhead

33

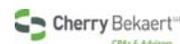


Findings

- ▶ Reference all findings to Schedule of Findings and Questioned Costs where they are reported in detail.
 - Internal Control Findings:
 - Significant Deficiencies
 - Material Weaknesses
 - Compliance Findings:
 - Material Noncompliance (qualified or adverse opinion – AU-C section 705)
 - Known or likely questioned costs greater than \$25,000
 - Any Federal Award:
 - Known questioned costs greater than \$25,000
 - Known or likely fraud
 - Summary Schedule of Prior Audit Findings materially misrepresents status

Note: could be the same finding in both IC and Compliance

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Q&A Session



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ABC University
SEFA
For the Year Ended December 31, 2015

	Federal CFDA Number	Pass-Through Entity Identifying #	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Aid				
Dept of Education				
Federal Pell Grant	84.063		\$	8,000,000.00
Federal Direct Student Loans	84.268		\$	5,000,000.00
FSEOG	84.007		\$	1,000,000.00
Federal Work Study	84.033		\$	600,000.00
TEACH	84.379		\$	300,000.00
Post Secondary Education				
Scholarships for Veteran Dependents	84.408		\$	250,000.00
Federal Perkins Loan	84.038		\$	500,000.00
Total Dept of Education			<u>\$</u>	<u>-</u> \$ <u>15,650,000.00</u>
Dept of HHS				
Nursing Student Loans	93.364		\$	2,000,000.00
Health Professions Student Loans	93.342		\$	3,000,000.00
Total HHS			<u>\$</u>	<u>5,000,000.00</u>
Total SFA			<u>\$</u>	<u>-</u> \$ <u>20,650,000.00</u>
R&D				
Dept of Defense (Direct)				
Collaborative R&D	12.114		\$	55,000.00 \$ 995,000.00
Military Medical R&D	12.420		\$	65,000.00 \$ 755,000.00
Total Dept of Defense (Direct)			<u>\$</u>	<u>120,000.00</u> \$ <u>1,750,000.00</u>
Dept of Defence (PT)				
From XYZ Lab	12.Unknown	4532		\$ 100,000.00
Total Dept of Defence (PT)			<u>\$</u>	<u>120,000.00</u> \$ <u>1,850,000.00</u>
NSF Direct				
Geosciences	47.050		\$	280,000.00 \$ 500,000.00
Biological Science	47.075		\$	100,000.00 \$ 125,000.00
Total NSF Direct			<u>\$</u>	<u>380,000.00</u> \$ <u>625,000.00</u>
NSF PT				
From ABC University	47.ABC.852	ABC-852		\$ 125,000.00
Total NSF PT			<u>\$</u>	<u>-</u> \$ <u>125,000.00</u>
Total NSF			<u>\$</u>	<u>380,000.00</u> \$ <u>750,000.00</u>
Dept HHS				
NIH				
NIH Direct				
Mental Health Research Grant	93.242		\$	100,000.00 \$ 125,000.00
Drug Abuse Research Program	93.279		\$	75,000.00 \$ 100,000.00
Total NIH Direct			<u>\$</u>	<u>175,000.00</u> \$ <u>225,000.00</u>
NIH PT				
From ABC Hospital	93.UNKNOWN	5489-5		\$ 200,000.00
CDC				
Chronic Diseases	93.068		\$	100,000.00 \$ 150,000.00
Total HHS			<u>\$</u>	<u>275,000.00</u> \$ <u>575,000.00</u>
Total R&D			<u>\$</u>	<u>775,000.00</u> \$ <u>3,175,000.00</u>
Dept of State				
Academic Exchange Program	19.401		\$	500,000.00
Dept of Ed - Direct				
Safe & Drug Free School	84.184		\$	250,000.00
Undergrad Int'l Studies	84.016		\$	75,000.00
Dept of Ed - PT				
From GA Dept of Education - Career & Technical Grant	84.048	874-90-5473		\$ 400,000.00
From GA Dept of Education -Adult Ed Grant	84.002	25-8594-2167		\$ 650,000.00
Dept of Ed			<u>\$</u>	<u>1,375,000.00</u>
Total Expenditures			<u>\$</u>	<u>25,700,000.00</u>

XYZ University
SEFA
For the Year Ended December 31, 2015

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TEACH	84.379		\$	300,000.00
Post Secondary Education				
Scholarships for Veteran Dependents	84.408		\$	250,000.00
Federal Perkins Loan	84.038		\$	500,000.00
Total Dept of Education			\$ -	\$ 16,650,000.00
Dept of HHS				
Nursing Student Loans	93.364		\$	1,000,000.00
Health Professions Student Loans	93.342		\$	3,000,000.00
Total HHS			\$	4,000,000.00
Total SFA			\$ -	\$ 20,650,000.00
R&D				
Dept of Defense (Direct)				
Collaborative R&D	12.114		\$ 55,000.00	\$ 995,000.00
Military Medical R&D	12.420		\$ 65,000.00	\$ 755,000.00
Total Dept of Defense (Direct)			\$ 120,000.00	\$ 1,750,000.00
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NSF Direct				
Geosciences	47.050		\$ 280,000.00	\$ 500,000.00
Biological Science	47.075		\$ 100,000.00	\$ 125,000.00
Total NSF Direct			\$ 380,000.00	\$ 625,000.00
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From ABC University	47.ABC.852	ABC-852	\$	125,000.00
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