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The presentation will begin shortly.



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2023 **Best Firms to Work For**

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Exploring the OMB 2023 Updates and Proposed Guidance

Wednesday, October 25, 2023



CPAs & ADVISORS

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Presenters

Meet the instructors



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Housekeeping

Additional Information

Learning Objective To provide attendees with a road map on recent OMB updates.	Instructional Delivery Methods Group Internet-based
Recommended CPE 1.0 CPE Credit	Recommended Fields of Study Specialized Knowledge
Prerequisites None required	Advance Preparation None
Program Level Basic	Course Registration Requirements None
Refund Policy No fee is required to participate in this session.	Cancellation Policy In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.
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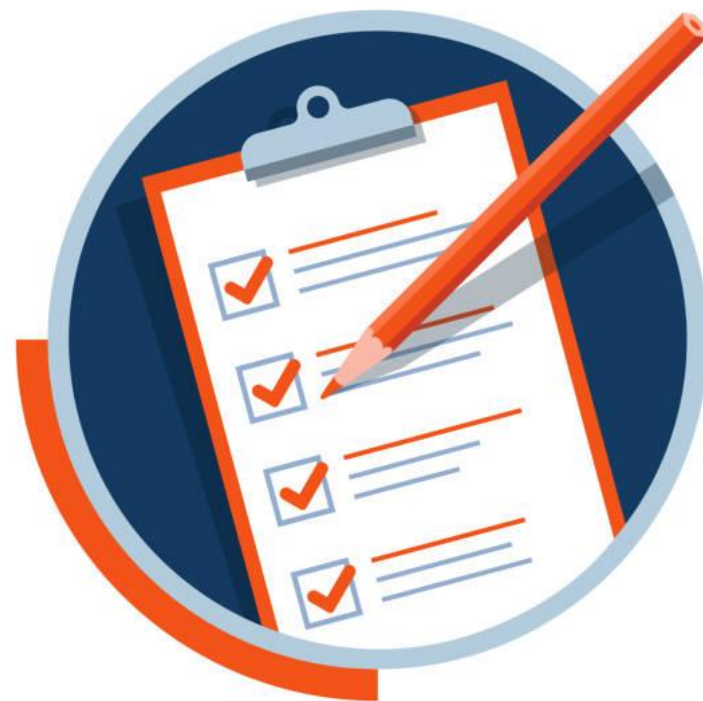
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OMB 2023 Topics for Today

1. Overview of Single Audits
2. Updates in the 2023 Compliance Supplement
3. Proposed changes to the Uniform Guidance by OMB



Polling Question #1

Is your organization subject to a Single Audit?

- A. *Yes*
- B. *No*
- C. *Unsure*

Single Audits

Overview and Recap



The Single Audit Act

- Streamline and improve the effectiveness of audits of federal awards expended
- Gives the Director of the Office of Management and Budget (OMB) the authority to develop government-wide guidelines and policy on performing audits to comply with the Act (now referred to as Uniform Guidance)
- All non-federal government agencies and nonprofit organizations that expend \$750,000 or more in federal awards in a given fiscal year

What is a Federal Award?

- Federal financial assistance that nonfederal entities receive directly from federal awarding agencies or indirectly from a PTE
- Federal cost-reimbursement contracts under the FAR that a nonfederal entity receives directly from a federal awarding agency or indirectly from a PTE
 - Terms and conditions set forth in grant agreement, cooperative agreement, other agreement, or cost- reimbursement contracts
 - Does not include procurements under grants or contracts, used to buy goods or services

What Is the Definition of a Federal Program?

- All federal awards which are assigned a single number in the Assistance Listing
 - Assistance Listing number is the number assigned to a federal program and can be found at beta.sam.gov
- When no Assistance Listing number is assigned, all federal awards to nonfederal entities from the same agency made for the same purpose must be combined and considered one program



When Does a Federal Expenditure Occur?

Federal Awards	Basis for Determining When Expended
Grants, cost reimbursement contracts, compacts with Indian tribes, cooperative agreements under the FAR, and direct appropriations	When the expenditure or expense transactions occur
Amounts provided to subrecipients	When the disbursement is made to the subrecipient
Loan and loan guarantees	When the loan proceeds are used by the nonfederal entity
Donated property, including donated surplus property	When the property is received

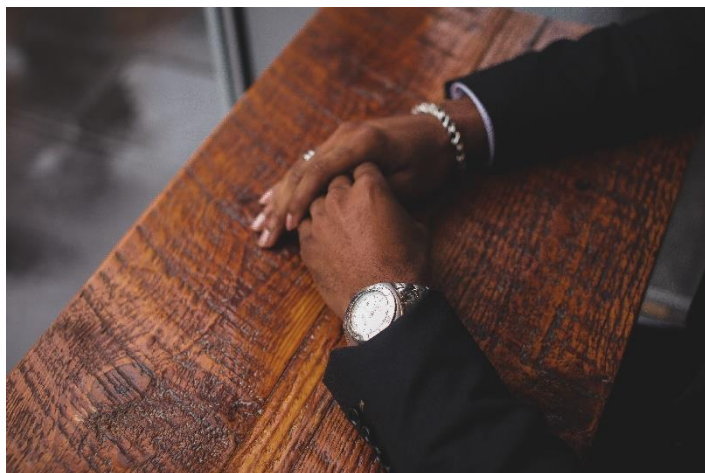
When Does a Federal Expenditure Occur?

Federal Awards	Basis for Determining When Expended
Food commodities	When the food commodities are distributed or consumed
Interest subsidies	When the amounts are disbursed entitling the entity to the subsidy
Insurance	When the insurance is in force
Endowments	When federally restricted amounts are used
Program income	When received or used

Financial Audit vs. Single Audit

- Single Audits cover the entire organization's financial operations, and are substantially more detailed than a regular independent audit. A Single Audit requires higher levels of testing by the independent auditor to establish that:
 - The financial statements are presented fairly and accurately; and in accordance with federal cost principles;
 - The organization has an adequate internal control structure, and that;
 - The organization is in compliance with any special government regulations/laws that apply to the specific federal funding stream.

Financial Audit vs. Single Audit



- The Single Audit must be completed and submitted in machine-readable format to the Federal Audit Clearinghouse either within 30 days after receiving the auditor's report, or nine months after the end of the nonprofit's fiscal year, whichever comes earlier.
- The Single Audit also must be submitted to any pass-through entity, if applicable, and
- Copies of the audit report must be made available to the public, which can be accomplished by posting a link to the report from the nonprofit's website.



Auditee Responsibilities

Standards for Financial Management

- Understanding must occur **before** execution of the award
- Comply with all requirements of award
 - Performance measurement systems
 - Financial management systems
 - Separate identification of federal awards
 - Complete/accurate financial results
 - Support for federal draws
 - Effective control/accountability
 - Written procedures



Standards for Financial Management

- Written procedures:

- Recommended for all compliance areas

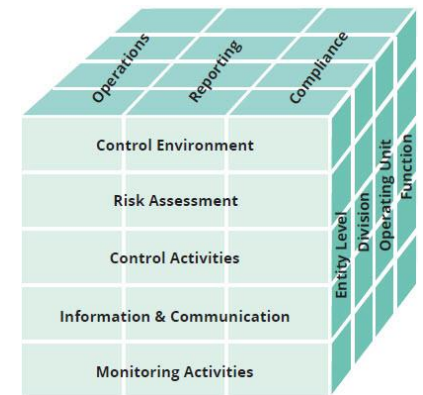
- Required for implementing:

- §200.305 Payments (i.e., cash draws)
- §200.318 Procurement (including conflict of interest)
- Allowability of costs (Subpart E, Cost Principles)
- §200.430-431 Compensation (personnel and benefits)
- §200.475 Travel costs



Internal control

- Establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award
- “Should” be consistent with COSO and the Green Book



Part 6 of the OMB Compliance Supplement is a very useful tool for identifying illustrative controls!!

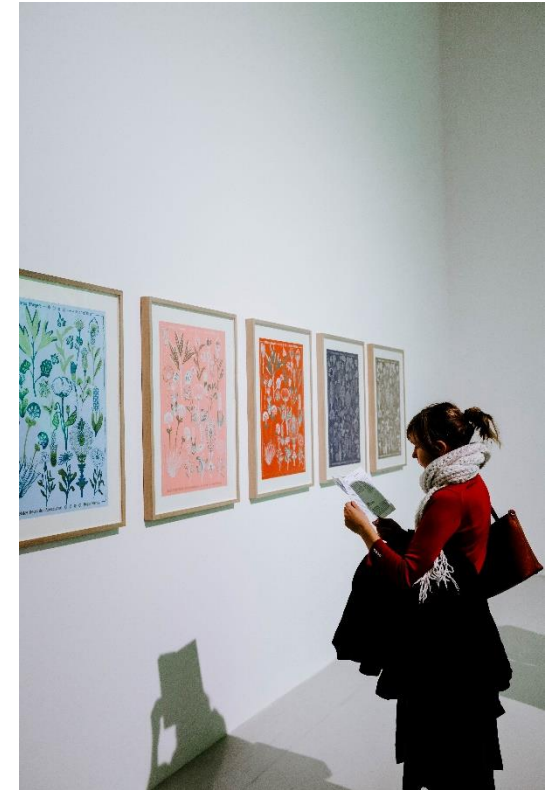
Cost Principles

- Applying cost principles “should require no significant changes to sound internal accounting policies/procedures”
- The “total cost” of a federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits

Hint: Use the de minimis indirect rate when no approved or negotiated indirect rate is given... do NOT leave money on the table!

Other Responsibilities

- Arrange for Single Audit and ensure it is properly performed and submitted timely
- Prepare financial statement and SEFA
- Promptly follow up and take corrective action on audit findings
- Prepare summary schedule of prior audit findings (if there are prior audit findings)
- Prepare corrective action plan (if there are findings)
- Prepare the required data elements of the DCF



Other Responsibilities



- Comply with federal statutes, regulations, and the terms and conditions of federal awards
- Evaluate and monitor compliance with statutes, regulations and the terms and conditions of federal awards
- Take prompt action when noncompliance identified
- Safeguard protected personally identifiable information

Polling Question #2

Are you aware of all the compliance requirements under federally sourced awards or programs?

- A. *Yes*
- B. *No*
- C. *Unsure*

Compliance Supplement



Compliance Supplement

Each year, OMB issues the Compliance Supplement for auditors to follow in determining the compliance requirements that could have a direct and material effect on the programs included in a single audit. . The supplement identifies compliance information to help auditors understand each program’s objectives, procedures and requirements, and provides audit objectives and suggested audit procedures for determining a federal recipient’s single audit compliance.

- Released timely: May 22, 2023
- Effective for audits of fiscal years beginning *after* June 30, 2022
- Supersedes the 2022 Compliance Supplement (dated May 11, 2022)

Compliance Supplement



PART 1
**Background, Purpose,
and Applicability**



PART 5
Clusters of Programs



PART 2
**Matrix of Compliance
Requirements**



PART 6
Internal Control



PART 3
**Compliance
Requirements**



PART 7
**Guidance For Auditing
Programs Not Included in
This Compliance Supplement**



PART 4
**Introduction-Agency
Program Requirements**



Appendices

Compliance Supplement

COMPLIANCE REQUIREMENTS

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	Y	N	Y	N	N	N	Y	Y	N

2023 Higher Risk Programs

*Pandemic Programs Covered
in Detail*



Programs Removed from Higher Risk List

- **32.009** – Emergency Connectivity Fund Program
- **93.461** – Testing for the Uninsured
- **20.106** – Airport Improvement Program
- **20.500/20.507/20.525/20.526** – Federal Transit Cluster
- **20.315** – National Railroad Passenger Corporation Grants



Programs identified as higher risk for 2023

Agency	Assistance Listing (CFDA) Number	Title
Education*	84.425	Education Stabilization Fund
HHS*	93.498	Provider Relief Fund and America Rescue Plan (ARPA) Rural Distribution
HHS*	93.778/93.777/93.775	Medicaid Cluster
Treasury*	21.023	Emergency Rental Assistance
Treasury*	21.026	Homeowner Assistance Fund
Treasury*	21.027	Coronavirus State and Local Fiscal Recovery Funds
Treasury*	21.029	Coronavirus Capital Projects Fund
Interior**	15.252	Abandoned Mine Land Reclamation (AMLR)
Social Security	96.001/96.006	Disability Insurance/Supplemental Security Income

* These programs were created by law and are considered 100% COVID-19 funding.

** These programs were existing programs that received additional funding from one or more of the laws because of the pandemic.



Increase in Federal “Audits” of Recipient Pandemic Funding

- Some recipients receiving letters from federal agencies stating that they will be “auditing” their pandemic spending
- These agency reviews could lead to questions involving related single audits or findings issued
- When agencies request access to audit documentation, refer to Interpretation No. 1, *Providing Access to or Copies of Audit Documentation to a Regulator* (AU-C sec. 9230 par. .01-.15)



Pandemic Funding

Reminders

1. Requirement to separately identify COVID-19 expenditures on the SEFA and DCF retained.
 1. SEFA: on a separate line by ALN# with “COVID-19” as a ***prefix*** to the program name
 2. DCF: on a separate row with "COVID-19" in Part II Item 1c, *Additional Award Identification*
2. While Pandemic funding is winding down, it is still in play for many recipients that receive assistance from those programs mentioned earlier (CSLFRF / PRF).
3. Auditees and auditors need to be mindful of Pandemic Funding Waiver Expirations.

CSLFRF – Coronavirus State and Local Fiscal Recovery Funds

Key Updates –

1. Allowable Cost/Cost Principals
2. Matching, Level of Effort, Earmarking
3. Procurement and Suspension and Debarment
4. Reporting
5. Compliance Examination Engagement



PRF – Provider Relief Fund

Reporting Requirements in Depth

	Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)	Period of Availability	PRF Portal Reporting Time Period	Fiscal Year Ends (FYE) to include each PRF Period on the Schedule of Expenditures for Federal Awards (SEFA) Reporting
Period 1	April 10, 2020 to June 30, 2020	January 1, 2020 to June 30, 2021	July 1, 2021 to September 30, 2021	Fiscal Year End (FYE) of June 30, 2021 through June 29, 2022
Period 2	July 1, 2020 to December 31, 2020	January 1, 2020 to December 31, 2021	January 1, 2022 to March 31, 2022	FYE of December 31, 2021 through FYE December 30, 2022
Period 3	January 1, 2021 to June 30, 2021	January 1, 2020 to June 30, 2022	July 1, 2022 to September 30, 2022	FYE of June 30, 2022 through June 29, 2023
Period 4	July 1, 2021 to December 31, 2021	January 1, 2020 to December 31, 2022	January 1, 2023 to March 31, 2023	FYE of December 31, 2022 through FYE December 30, 2023
Period 5	January 1, 2022 to June 30, 2022	January 1, 2020 to June 30, 2023	July 1, 2023 to September 30, 2023	FYE of June 30, 2023 through June 29, 2024
Period 6	July 1, 2022 to December 31, 2022	January 1, 2020 to December 31, 2023	January 1, 2024 to March 31, 2024	FYE of December 31, 2023 through FYE June 29, 2024

Polling Question #3

Are you aware of the proposed changes by OMB on Uniform Guidance?

A. Yes

B. No

C. Unsure

Common Deficiencies Reported

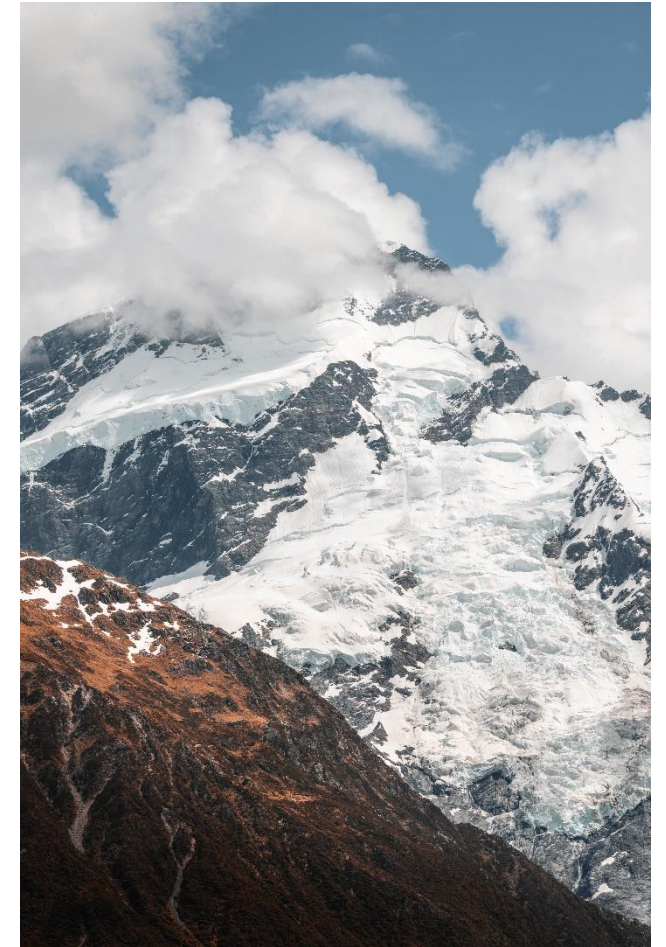


Timesheets

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of the non-Federal entity;
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- Encompass federally-assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;

Timesheets

- Comply with the established accounting policies and practices of the non-Federal entity;
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards.”



Documentation of Approvals



“If I can’t **see** that it happened,
it didn’t happen!”

- Says every auditor

Procurement

1. Written, formalized procurement policy must, at a minimum, follow the guidelines of Uniform Guidance for federally sourced awards.
2. If the policy is more restrictive than the Uniform Guidance, then the non-federal entity must follow the more restrictive guidelines.
3. UG methods:

Micropurchases	Sealed bids
Small purchase	RFPs
Simplified Acquisition Threshold (SAT)	Noncompetitive

Procurement

Sole-source justifications (noncompetitive procurement) are most commonly the reason for findings. Why?

Noncompetitive procurement can **only be awarded** if one or more of the following circumstances apply:

1. The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);
2. The item is available only from a single source;
3. The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
4. The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or
5. After solicitation of a number of sources, competition is determined inadequate.

Suspension and Debarment

What do you need to have documented?

Rule: Restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

- The Organization must have an account on SAM.gov account in order to perform this search for Vendors and Contractors (not required for internal staff).
- Search for potentially suspended or debarred vendors must occur **PRIOR** to the execution of the contract. You must maintain evidence of the search being performed... including the **date**.
- Best Practice: Perform this search **ANNUALLY** for all vendors and contractors and retain PDF of search results for your upcoming audit.
 - <https://sam.gov/content/status-tracker>

Data Collection Form and Single Audit Filings under the FAC to the GSA



Single Audit Extensions

FAC Transition Delay

1. The SF- SAC Data Collection Form used for the fiscal year 2022 audit submission was not available until October 6, 2022.
 - a. Single audits with a fiscal period ending in 2022 could not be submitted before that date.
 - b. For any 2022 submissions with fiscal periods ending between January 1, 2022 and October 31, 2022, the requirement 2 CFR 200.512(1) states that single audits are due to the Federal Audit Clearinghouse 30 days after receipt of the auditor's report(s), is waived. These audit will be considered on time if they are submitted within nine months after their fiscal period end date.
2. Hurricanes Fiona and Ian, and the Alaska flood and landslide – OMB granted a six-month extension for all single audits that cover recipients in the affected areas and had due dates between September 18, 2022 and December 31, 2022.

General Services Administration taking over Federal Audit Clearinghouse

1. The provider of the Federal Audit Clearinghouse (FAC) changed from U.S. Census Bureau (Census) to the U.S. General Services Administration (GSA) on October 1, 2023. At that time, all submissions will need to be made through the new FAC hosted by GSA, including all single audits for entities with 2023 FYE date.

<http://www.fac.gov/>

2. 2023 submissions with fiscal periods ending between January 1, 2023 and September 30, 2023, requirement 2 CFR 200.512(1) states that single audits are due to the Federal Audit Clearinghouse 30 days after receipt of the auditor's report(s), is waived.

- *These audit will be considered on time if they are submitted within nine months after their fiscal period end date.*

OMB Proposed Changes to Uniform Guidance

*Proposed Changes and
Revisions*



Key Proposed Revisions

Various increases to add flexibility, such as raising the threshold for equipment from \$5,000 to \$10,000

Raising the de minimis indirect rate from 10% to 15%

Raising the Single Audit requirement threshold from \$750,000 to \$1,000,000

Revising the headings of Title 2 CFR and Subtitle A and Chapter I to replace "Grants and Agreements" with "Federal Financial Assistance"

Including a requirement for pass-through entities to confirm that potential subrecipients are not suspended, debarred, or otherwise excluded from receiving Federal funds

Removing the prior written approval requirements for ten items.



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Questions?

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