

Single Audit Updates
April 30, 2021

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- Established in 1986
- Audit and assurance services
- Focused exclusively on governmental & non-profit clients
- Over 250 governmental clients in Arizona
- Offices in Phoenix, Tucson and Flagstaff

About the Presenter



AGENDA



- Timeline of notable events
- CARES Act funding
- Compliance Supplement Delays and Addendum
- Big items in the Addendum
- American Rescue Plan Act of 2021
- COVID-19 Issues related to the SEFA

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Timeline of Notable Events



March 11, 2020 → March 27, 2020 → December 21, 2020 → December 22, 2020 → March 11, 2021

- Pandemic... announced by WHO
- CARES ACT... signed
- Consolidated Appropriations Act signed
- Compliance Supplement Addendum released
- ARPA signed

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What Words Define the Last Year for You?

change
exhausting **surreal**
chaotic
stressful **unknown**
challenging

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CARES ACT FUNDING
Signed into law on March 27, 2020

COVID-19 funding – new and existing programs

- Largest New Programs
 - PPP (\$>600B)
 - 59,073
 - NOT subject to Single Audit
 - Provider Relief Fund (\$175B)
 - 93,498
 - Subject to Single Audit, HHS
 - Coronavirus Relief Fund (\$150B)
 - 21,019
 - Subject to Single Audit, Treasury
 - Ed Stabilization Funds (\$30.75B)
 - 84,425
 - Subject to Single Audit, Education
 - Of this, approximately \$14 billion designated as the Higher Education Emergency Relief Fund (HEERF)
- Federal FAQ (June 24, 2020) includes a comprehensive listing of existing federal programs that were funded through the CARES Act and other supplemental appropriations to support response to the COVID-19 crisis.
- Listing can be found in Appendix A to the FAQ
 - https://www.cfo.gov/wp-content/uploads/2020/06/M-20-21_FAQ_06232020.pdf

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New Programs in the Addendum

- New COVID-19 Programs
 - 16.034 Coronavirus Emergency Supplemental (\$850 M)
 - 21.019 Coronavirus Relief Fund (\$150 B)
 - 32.006 Telehealth Program (\$200 M)
 - 84.425 Education Stabilization Fund (\$30 B)
 - 93.461 Uninsured Testing Portal (\$2 B)
 - 93.498 Provider Relief Fund (\$175 B)
- Non-COVID-19 Additions
 - 20.218/20.237 Federal Motor Carrier Safety Assistance (FMCSA) Cluster
- Paycheck Protection Program not subject to Single Audit

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Coronavirus Relief Funds (CRF)

Purpose: to provide direct payments to state, territorial, tribal and other local governments to cover:

1. Necessary expenditures incurred due to the public health emergency with respect to COVID-19
2. Costs that were not accounted for in the governments' most recently approved budget as of March 27, 2020
3. Costs that were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020*

*Later extended to December 31, 2021.

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Activities Allowed/Allowable Costs

Activities Allowed or Unallowed refers auditors to the following documents:

- Treasury CRF Guidance Document
(<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>)
- Treasury CRF FAQ document
(<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>)

Uniform Guidance cost principles, don't apply- rather refer to Treasury guidance and FAQs when testing the allowability of costs.

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Activities Allowed/Allowable Costs

Nonexclusive examples of eligible expenditures:

- Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19
- Expenses for disinfection of public areas and other facilities
- Expenses for public safety measures taken in response to COVID-19
- Expenses to improve telework capabilities for public employees
- Expenses to upgrade critical public health infrastructure
- Increased workers compensation cost due to the public health emergency
- Expenses associated with contract tracing
- Expenditures related to the provision of grants to small businesses to reimbursement the costs of business interruption caused by required closures
- Expenses for quarantining individuals
- Costs associated with increased solid waste (such as the disposal of used PPE)
- Expenditures to cover a proportionate share of the costs of audits attributable to the Fund
- Payroll expenses for public safety, public health, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency



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Activities Allowed/Allowable Costs

Nonexclusive examples of ineligible expenditures:

- Expenses for the State share of Medicaid
- Damages covered by insurance
- Capital improvement projects that broadly provide potential economic development
- Payroll or benefits expenses for employees whose work duties are **not** substantially dedicated to mitigating or responding to the public health emergency*
- Workplace bonuses (but hazard pay **is** eligible)
- Expenses that have been or will be reimbursed under any federal program
- Prepayments, for example on a facility lease, that would not normally be made in the ordinary course of business

*Administrative accommodation (covered in future slide)

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Activities Allowed/Allowable Costs

What is meant by “broad” capital improvement project?

Nonexclusive list of projects that could be funded:

- HVAC upgrades or replacements
- New window fixtures
- Plexiglass partition
- Sneeze guard installation

Example of an ineligible project:

- Repairing the roof of a building
- General City park improvements

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Activities Allowed/Allowable Costs

Administrative Accommodation

Treasury has provided, as an administrative accommodation, that a **state, local, or tribal government may presume that public health and public safety employees meet the substantially dedicated test, and that work performed by such employees is considered to be a substantially different use than accounted for in the most recently approved budget as of March 27, 2020.** All costs of such employees may be covered using payments from the Fund for services provided during the period that begins on March 1, 2020, and ends on December 30, 2020*.

*Later extended to December 31, 2021.

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Activities Allowed/Allowable Costs

Administrative Accommodation

Treasury has supplemented this guidance to clarify that public safety employees would include:

- Police officers
- Sheriffs and deputy sheriffs
- Firefighters
- Emergency medical responders
- Correctional and detention officers
- Those who directly support such employees
 - Such as dispatchers and supervisory personnel

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Period of Performance and Reporting

Auditors will focus on the requirement that governments must use the payments for necessary expenditures incurred between March 1, 2020 and December 30, 2020

- Passage of coronavirus relief package in December 2020 extended this to 12/31/21
- Unspent funds shall be returned to the Treasury

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Coronavirus Relief Fund - FAQs

1. Are governments required to submit proposed expenditures to the Treasury for approval?

No.

2. May governments provide stipends to employees for eligible expenses (for example, to improve telework capabilities)?

Yes, although the government should provide assistance on a reimbursement-basis rather than a stipend, in order to ensure as much as possible that funds are used to cover only eligible expenses.

Coronavirus Relief Fund - FAQs

3. May Fund payments be used to replace foregone utility fees?

No. Fund payments may not be used for government revenue replacement, including the replacement of unpaid utility fees.

4. Is there a specific definition of "hazard pay"?

Hazard pay means additional pay for performing hazardous duties or work involving physical hardship, in each case that is related to COVID-19. Payments from the Fund cannot be used to cover "across-the-board hazard pay" for employees working during a state of emergency.

Coronavirus Relief Fund - FAQs

5. May recipients deposit Fund payments into interest bearing accounts?

Yes, however the interest earned must also be used on eligible expenses.



Compliance Supplement Addendum

- Drives audit procedures related to the federal grants
- Publicly available resource
- Typically released in June in time for preliminary fieldwork
- Was released on December 22, 2020
- Addendum
 - Provided guidance for the testing of CARES Act Funding
 - Coronavirus Relief Funds
 - Provider Relief Funds
 - Education Stabilization Funds
 - Other HUD grants/existing funding guidance
- The addendum also provided operational waivers for certain programs to ease operations and to minimize exposure

AMERICAN RESCUE PLAN ACT (ARPA)
 Signed into law on March 11, 2021

American Rescue Plan Act of 2021

- Funding extends to a wide range of programs
 - Schools and higher education, housing assistance, healthcare, transportation, etc
- Funding under ARPA was both for new and existing programs
- One of these programs is the **Coronavirus State and Local Fiscal Recovery Funds**
 - \$350 billion to states and local governments
- Generally less restrictive than what was previously allowed under the CARES Act
- Governments must spend the funds by December 31, 2024

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Coronavirus State and Local Fiscal Recovery Funds (CLFRF)

- Funds provided may be used for four major categories:
 - Covering costs to respond to the public health emergency or its negative economic impacts
 - Responding to workers performing essential services
 - The provision of government services, to the extent of the reduction in revenue due to COVID-19
 - Making necessary investments in water, sewer, or broadband infrastructure

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Coronavirus State and Local Fiscal Recovery Funds



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Coronavirus State and Local Fiscal Recovery Funds

Does my local government need to do anything to receive funds?

No. The Coronavirus Local Fiscal Recovery Fund grants are *formula grants* rather than competitive. Local governments will not have to submit an application or justify their needs in advance.

Cities/towns with population of more than 50,000 residents will receive their funds directly from the U.S. Department of Treasury. For smaller cities/towns, the states are responsible for passing through federal funds.

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Coronavirus State and Local Fiscal Recovery Funds

When will we receive payment?

- The U.S. Treasury is required to make their allocations to state and local governments within 60 days of enactment, and the second payment no earlier than 12 months after the first payment
 - Given the amount of entities involved, the Treasury may take the full 60 days to provide funding and develop guidance
 - Smaller "non-metro" areas may have to wait approximately 90 days to receive funding
- The law also provides an additional \$77 million for the Government Accountability Office for oversight and to promote transparency

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Coronavirus State and Local Fiscal Recovery Funds

How much will we get?

- The municipal fund is \$65.1 billion
 - \$45.6 billion to metros (1,000 metros)
 - \$19.5 billion to non-metros (18,000 non-metros)
 - Allocated using a modified Community Development Block Grant formula

- You can view a non-final estimate of your allocation from the National League of Cities:
[ncl.org/resource/estimated-local-allocations-in-the-American-recue-plan/](https://www.nlc.org/resource/estimated-local-allocations-in-the-American-recue-plan/)

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Coronavirus State and Local Fiscal Recovery Funds

What is explicitly prohibited?

- Funds cannot be deposited into a pension fund

- State and territories are prohibited from using the funds to offset a tax cut made since March 3, 2021
 - Note however, that this does not apply to local governments

Any recipients that fail to comply with the federal law shall be required to repay the federal Treasury.

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Coronavirus State and Local Fiscal Recovery Funds

Can Governors or state legislatures change the amount of, or attach additional requirements to, the payments allocated to local governments?

No. The Act does not give states this authority.

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Coronavirus State and Local Fiscal Recovery Funds

What will we need to report to the Treasury?

Statute does indicate that cities will need to make "periodic" reports to the U.S. Department of Treasury, but it's unclear at the moment what those reports will look like. Cities and towns should plan to report how these funds are spent, and are encouraged to maintain a high level of detail.

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American Rescue Plan Act of 2021

- Updates to existing programs
 - Emergency Stabilization Fund (ESF) receiving an additional \$165 billion, mostly for education
 - Emergency Rental Assistance Program, receiving an additional \$21 billion
- For any local governments with housing programs, be prepared for a significant influx of federal dollars
 - These are on top of the "direct" dollars

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American Rescue Plan Act of 2021

- In addition to these funds, the law creates a new \$10 billion Coronavirus Capital Projects fund
- For "critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency."
 - To implement this fund, Treasury is required to establish a process of applying for grants within 60 days of enactment

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Planning Ahead

Find a way to account for this new funding that doesn't result in comingling with other activities.

- Create a separate fund
- Use a different account or unit tool



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Planning Ahead

Review any subgrant agreements.

- If the money is passed through another entity (like the state), read the agreement to monitor any additional compliance requirements
- The pass-through entity may be required to do subrecipient monitoring, in addition to being subject to Single Audit by an independent auditor, the use of these funds may be reviewed closely by them

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Planning Ahead

Assess government operations and community needs.

You may want to:

- Create a comprehensive needs assessment
- Develop a recovery plan
- Designate key benchmarks of success



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Planning Ahead

Make sure your audit goes smoothly.

It's important to:

- Have an internal control process well documented
- Maintain detailed records of activities
- Determine who will be the main audit contact related to a specific program

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Audit Emphasis



CARES Act may very well be a major federal program in FY21.

FY22, FY23, FY24, and FY25 potentially all impacted by American Rescue Plan Act funds.

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Audit Emphasis

If you plan to move expenditures between different federal programs and/or fiscal years, please notify your auditors!

If you plan to journal entry expenditures to one of these federal programs, please maintain adequate documentation of the specifics.

- For example, if you're moving payroll expense, you must be able to identify:
 - Which specific employees are being moved
 - The components of pay (base salary, overtime, benefits)
 - Which pay periods are being moved

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2021 Compliance Supplement

- The CSLRF likely will have its own assistance listing, separate from CRF
- OMB has said the FY21 supplement will be released by end of May
- A later addendum will probably be needed for CSLRF and other new programs
- It is estimated that CARES & ARPA funds will create 12,000 new Single Audits – 1st time auditees

Single Audit Submission Extension

- OMB Memo M-21-20 (March 19, 2021)

Recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse that have fiscal year-ends through 6/30/21, have a six-month extension beyond the normal due date.

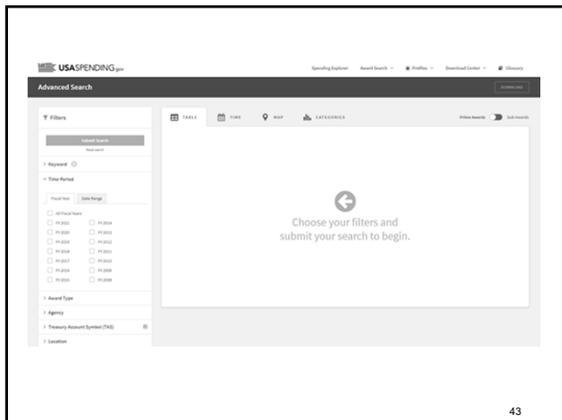
Documentation of the reason for the delayed filing should be maintained.

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New Reporting Requirement

- FY 20 a new reporting requirement is being added that will need to be tested for all COVID-19 programs in the addendum.
 - This will be extended to ALL programs for audits of fiscal years ending after 9/30/20, regardless of COVID monies.
 - All Direct recipients who make first-tier subawards of \$25,000 or more are to report the subaward data through the FFATA Subaward Reporting Systems (also referred to as FSRS) available at USASpending.gov as the publicly available Web site for viewing this information (<https://www.usaspending.gov/search>)

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New Reporting Requirement

- The auditor MUST test FFATA reporting for all of the COVID-19 programs included in the Addendum (except for CRF):
 - As long as the reporting type of compliance requirement is marked Y in Part 2 Matrix and auditor determines to be direct and material.
 - The recipient makes the first-tier subawards/subcontracts of \$25K

CRF is not subject to FFATA reporting based on Treasury OIG Reporting guidance (FAQ 31).

This requirement will be extended to all Major Programs regardless of COVID-19 funding in FY 21.

This testing is in addition to other financial, performance, or special reporting requirements that may be identified.



How Will Auditors Test This?

- Select a sample of subawards and determine if subject to FFATA reporting
- Find the awards in FSRS
 - Only accessible by the recipient, but can be done remotely using technology
- Compare the award information
- Report any instances of noncompliance



Schedule of Expenditures of Federal Awards (SEFA)

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Context of the SEFA –
Why is it so important?

- Primary view of federal awards for federal agencies and pass-through entities
 - Provides picture of all federal money the entity is responsible for
- Drives scope of audit
 - \$750,000 threshold for Single Audit
 - Main determinant of major programs
 - Inaccurate SEFA = Inaccurate major program determination = FAILED AUDIT
- Feeds electronic accumulation of data for government-wide monitoring of its awards
 - Includes significant data to input into Data Collection Form
- Supplemental schedule to the financial statements
 - "In-relation-to" opinion, but with compliance emphasis

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PPE Donations

The Notes to the SEFA need to include a footnote with the amount of donated PPE (from federal assistance) but it can be marked as "unaudited".



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Notes to the SEFA

DONATED PPE

- Per OMB Memo M-20-20
- Federal agencies and recipients could donate PPE purchased with federal assistance funds to various entities for the COVID-19 response
 - Mostly provided with no compliance or reporting requirements
- Nonfederal entities that received such donated PPE should include the FMV of the PPE at time of receipts in a stand-alone footnote to the SEFA that can be marked "unaudited"
- The donated PPE should NOT be counted for purposes of determining the threshold for a single audit or the type A/B program threshold for major programs.
- Not required to be audited as a major program

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COVID-19 SEFA Reporting

Recipients should separately identify COVID-19 related awards on the SEFA and the DCF
i.e.

- 93.558 Temporary Assistance for Needy Families
- 93.558 COVID-19-Temporary Assistance for Needy Families
- 84.425A COVID-19 Education Stabilization Fund- State Education Agency (Outlying Areas) (ESF-SEA)

Use the OMB Compliance Supplement or beta.sam.gov for proper Grant Names

DEPARTMENT OF TREASURY	COVID-19 CORONAVIRUS RELIEF FUND	21.018	COVID-19	ARIZONA GOVERNOR'S OFFICE	8847-20-001	22,275,879
TOTAL DEPARTMENT OF TREASURY						22,275,879

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Single Audit Reporting Package

Identification of COVID-19 related awards is necessary in the audit findings as well.

- **Finding Number:** 2020-001
- **Repeat Finding:** No
- **Program Name/CFDA Title:** COVID-19 Temporary Assistance for Needy Families
- **CFDA Number:** 93.558
- **Federal Agency:** U.S. Department of Health and Human Services
- **Federal Award Number:**
- **Pass-Through Agency:**
- **Questioned Costs:** \$ _____
- **Type of Finding:** Noncompliance, Significant Deficiency, Material Weakness – select as appropriate
- **Compliance Requirement:**

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Thank you

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