

Overview of the Single Audit Process for Community Based Organizations

January 13, 2022



COUNTY OF
SAN MATEO

Agenda

1. What is a “single” audit ?
2. What is a "single" audit report and rules?
3. When is a Single Audit required?
4. Objectives of the Single Audit
5. What is the Schedule of Expenditures Federal Awards
6. Test ‘our’ take-away
7. Common Findings
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What is a “Single” audit

A single audit is intended to provide a cost-effective audit for non-Federal entities in that one audit is conducted in lieu of multiple audits of individual programs.

- Prior to 1984, each federal grantmaking agency was required to carry out its own audit which was inefficient because of the difference format or requirements by each federal agency.
- Single Audit Act, which Congress passed in 1984, requires most governmental recipients of federal assistance (e.g., state and local governments) to have organization-wide financial and compliance audits on an annual basis.

What is a single audit report ?

A single audit report (SAR) is an organization-wide financial statement and federal awards' audit of a non-federal entity that expends \$750,000 or more in federal funds in one year.

The SAR is to be used by federal agencies to make sure a non-federal grant recipient is spending federal money according to expectations – money spent on allowable activities and the reasonableness of allowable cost.

Rules for the single audit

The Single Audit Act established audit requirements for audits of federal awards expended and the Federal Office of Management and Budget (OMB) set rules and regulations.

OMB's rules and regulations are applied in the same manner to Non-Federal Entity such as Not-for-profit (such as CBO), Higher Education (Universities), and State or Local Government (County, City, Special District).

The single audit must be conducted by an independent CPA firm.

- **note:** an organization's internal auditor (CPA license) is not recognized by OMB as independent firm.

When is Single Audit required?

Any non-federal entity, that **expended** federal awards (all programs) in excess \$750,000 in a fiscal year or a calendar year, is required by law (Single Audit Act) to have a single audit performed, which includes an audit of both the financial statements and the federal awards. (OMB 2 CFR 200.501).

Note: Some federal awards are exempted from the Single Audit Act, if the exemption is indicated on the term of the awards.

Under provisions of the Single Audit Act, the County of San Mateo is required to have a countywide Single Audit to meet the federal audit requirements for its federal awards that are administered or expended by County Departments or Agencies.

Single Audit - Objectives

The objectives of the single audit are

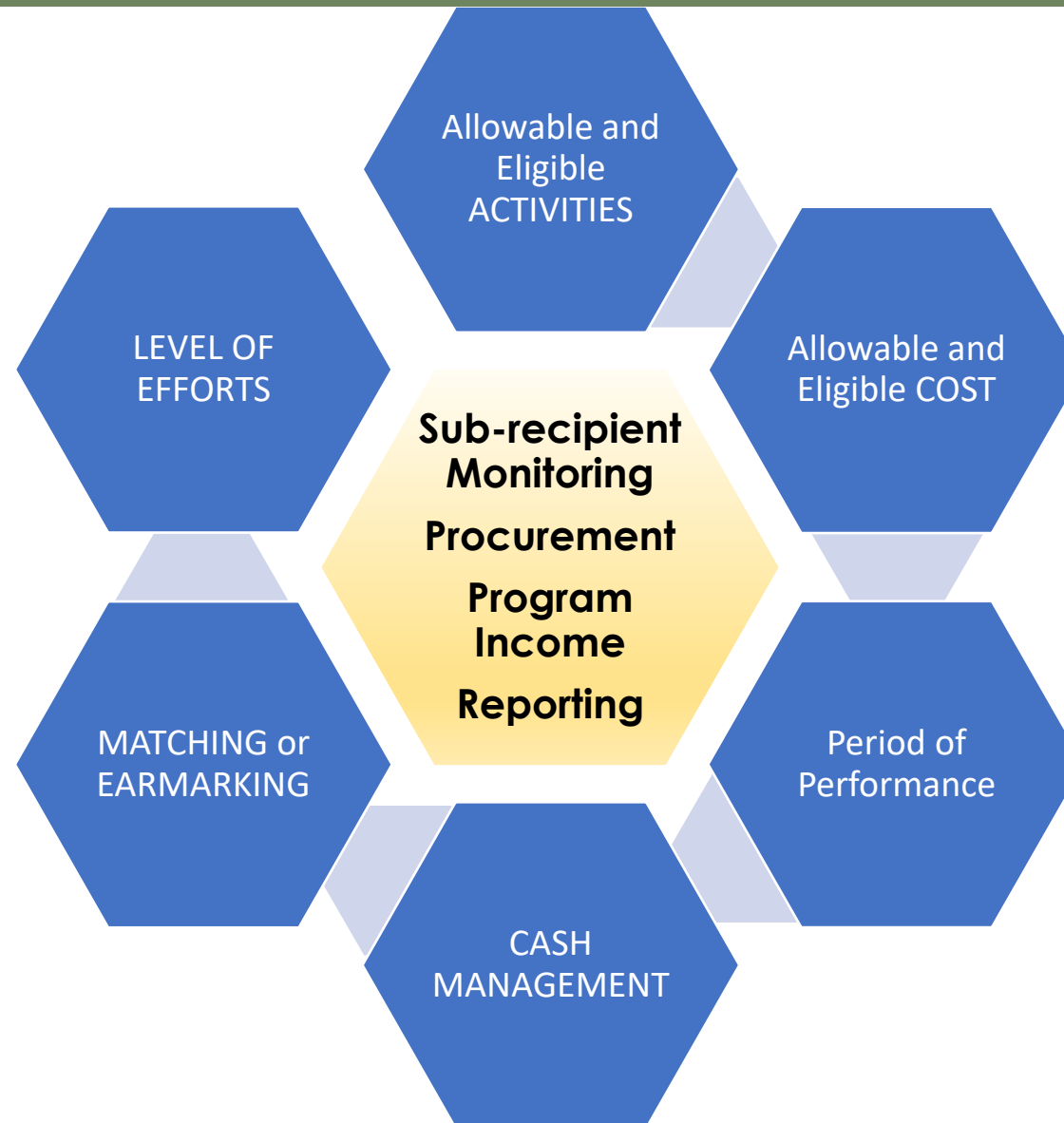
1. to report on the organization's internal control; AND
2. to provide an opinion on the organization's compliance with federal requirements.

Internal Control

Internal control is defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. [OMB]

Non-Federal entity must establish and maintain effective internal control over the Federal award for reasonable assurance that the Federal award is being managed in compliance with the terms and conditions of the Federal award including Federal statutes and regulations.

Compliance Areas



Matching Requirement

Matching requires a non-federal entity (grantee) to spend **its certain** dollar amount toward the total federal expenditures for the grant.

Matching is common in entitlement grants, where the grantee can claim reimbursements as long as they have eligible costs; this is to keep grantees financially committed.

Earmarking

- Earmarking is to ensure the grantee is maximizing the federal dollar for the program. As such, the grantor would direct the grantee on how to spend federal dollars.
- Earmarking can be varied such as limits on administrative expenditures or minimum/maximum requirements on specific types of expenditures for the program.

Level of Effort

Level of effort is to ensure the grantee keeps its local resources in the program with two components.

- supplement not supplant, and
- maintenance of effort.

Supplement requires the federal awards to be used to supplement a program and not to replace the existing local resources.

Cash Management Control

Minimize the time elapsing between the drawing down of federal funds and expending those funds;

Maintain a file with the reimbursement requests and support showing the amounts were expended and agreed to the supporting records;

Minimize the amount of interest earned on advanced funds as it may become due back to the grantor.

Sub-recipient Monitoring

Depending on the substance of its agreements with Federal awarding agencies and pass-through entities; a non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor.

Recipient: An organization received the federal awards directly from the FEDERAL departments or agencies (Direct Award)

Sub-recipient: An organization received the federal subaward through a Non-Federal entity (Pass-through entity)) to carry out part of a Federal program.

Contractor (Vendor): A contract is entered for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship.

Sub-recipient Monitoring

It is a responsibility of the pass-through entity

1. to ensure that every subaward is clearly identified to the subrecipient as a subaward; and
2. To include the following information at the time of the subaward was awarded.

Name of Federal awarding agency

Federal Award Identification Number (Catalog of Domestic Federal Award

Subrecipient name

Subrecipient's unique entity identifier;

Subaward Period of Performance Start and End Date;

Subaward Budget Period Start and End Date;

Indirect cost rate for the Federal award (de minimis rate § 200.414.)

3. To provide any changes in subsequent subaward modification.

Sub-recipient Monitoring

It is a responsibility of the pass-through agency to monitor sub-recipient's compliance with the Federal subaward – Allowable Activities and Cost.

AND

It is a responsibility of the subrecipient to understand the specific requirements for the programs.

As such:

It is important to review the grant agreement or award document thoroughly, looking for special terms, conditions, and requirements. The agreement will often contain the specific reporting deadlines, allowable expenses and requirements like matching contributions or indirect cost rates.

If unsure of the terms in the grant agreement for compliance, check with the granting agency for any ambiguous language or unclear requirements

Sub-recipient Monitoring

Pre-award assessments [Pass-through Agency* and Subrecipient]

- Requirements imposed by Federal Awards;
- Indirect cost information;
- Closeout terms and conditions including record retention;

Post-award monitoring mandatory [Pass through Agency*]

- Review of financial and performance reports [for compliance with the Federal Awards – Allowable Activities and Cost];
- Verify Single Audit compliance or copy of Single Audit report;
- Consider whether enforcement actions are necessary.

*San Mateo County is the Pass-through if you received federal subaward from San Mateo County departments/agencies.

What is Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards (SEFA) is an annual financial schedule that provides information for your organization's federal awards, including

- Expenditure amounts for federal awards by Catalog of Domestic Assistance Number (CFDA)
- Identification of the pass-through entity and identifying number
- Amounts provided to subrecipients for each federal program (if applicable)
- Totals for each cluster of programs
- Other information regarding loan programs such as Economic Injury Disaster Loan (EIDL) directly from the SBA. The loan balance (or amounts forgiven) must be included on the SEFA.

Sample of a SEFA

County of San Mateo
Federal Grants and Programs
Expenditures Incurred for Federal Programs the period of July 1, 2020 through June 30, 2021

Name of Awarding Agency	Federal Program Name	Federal Catalog Number (CFDA #)	Data Universal Numbering System (DUNS)	Pass-Thru (PT) or Direct (D)	If Pass-Thru (PT) - Name of PT Agency	PT Entity #	PT Grant #	Grant Award Amount	Expenditures Incurred FY 20/21	Sub-Recipient (Y / N)	Sub-Recipient Name	Sub-Recipient Amount	Is Performance Period > 2 Years (Y/N)	Comments
HUD -U.S. Dept. of Housing & Urban Development	Community Development Block Grant (CDBG)	14.218	073132177	D				\$2,669,532.00	\$2,597,959.19	Y	See attached report	\$1,220,106.16	Y	
HUD -U.S. Dept. of Housing & Urban Development	Community Development Block Grant Coronavirus (CDBG-CV)	14.218	073132177	D				\$4,476,413.00	\$87,750.78	N			Y	
HUD -U.S. Dept. of Housing & Urban Development	Home Investment Partnership Act (HOME)	14.239	073132177	D				\$1,484,281.00	\$810,901.28	Y	See attached report	\$467,885.00	Y	
HUD -U.S. Dept. of Housing & Urban Development	Emergency Solutions Grant (ESG)	14.231	073132177	D				\$231,864.00	\$246,146.16	Y	See attached report	\$230,769.33	N	
HUD -U.S. Dept. of Housing & Urban Development	Emergency Solutions Grant Coronavirus (ESG-CV)	14.231	073132177	D				\$5,944,187.00	\$137,946.24	Y	See attached report	\$29,886.52	N	
HUD -U.S. Dept. of Housing & Urban Development	Emergency Solutions Grant (ESG)	14.231	073132177	PT	State of CA-Housing & Community Development		20-ESG-15564	\$186,499.00	\$155,553.72	Y	See attached report	\$149,732.53	N	
HUD -U.S. Dept. of Housing & Urban Development	Emergency Solutions Grant Coronavirus (ESG-CV)	14.231	073132177	PT	State of CA-Housing & Community Development		20-ESGCV-00031	\$13,206,564.00	\$1,444,914.35	Y	See attached report	\$314,985.88	N	
								\$ 28,199,340.00	\$ 5,481,171.72			\$ 2,413,365.42		

Supporting Documents Required FOR EACH OF THE GRANT line item

1. Reconciliation of the Expenditures Amount and Subrecipients Amount
2. Grant / Program: Reports and Claims
3. Grant / Program: Closing out or Final Report / Audit Report
4. Awards document - Including Amendment to Amount or Performance Period
5. Reconciliation of cumulative expenditures for grants/programs with performance periods span ove 2 FYs or more

Agency/ Department: Housing
Prepared by:
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Reviewed and Approved by:
Name:
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Date:

Test our knowledge

A CBO received multiple federal subawards (passed-through) in the fiscal year 2019/20

Program	Performance Period	Amount
Special Program for the Aging -Title III, Part C1 - Congregate Meals	July 1 – June 30, 2020	\$420,000
National Family Caregiver Support, Title III, Part E	July 1 – June 30, 2020	\$250,000
COVID-19 National Family Caregiver Support, Title III, Part E	August 1, 2020 – October 31, 2021	\$300,000

Question: Is the CBO required to have a Single Audit for FY 2019/20?

Test our knowledge

A CBO received multiple federal subawards (passed-through) in the fiscal year 2020/21

Program	Performance Period	Amount
Special Program for the Aging -Title III, Part C1 - Congregate Meals	July 1 – June 30, 2021	\$320,000
National Family Caregiver Support, Title III, Part E	July 1 – June 30, 2021	\$250,000
COVID-19 National Family Caregiver Support, Title III, Part E	August 1, 2020 – October 31, 2021	\$300,000

Question: Is the CBO required to have a Single Audit for FY 2020/21?

Common findings

- Including indirect costs (that was not approved by the Awarding Federal Agency) as federal expenditures of the program ;
- Lacking review and approval of payroll time sheets by a direct supervisor who has knowledgeable of the grant program;
- Lacking review or approval for goods or services expenditures (invoices) by a direct supervisor who has knowledgeable of the grant program;
- Payroll charges are not supported by time records and activities log provided for audit;
- No documentation for time allocation (time-study) if employee worked on multiple programs;
- Using Contractors or awarding subrecipients under suspension or debarment;
- Activities and cost are outside of the Performance period;

Common findings

- Expenditures were not related to the federal program (unallowable);
- Budget expenditures were charged to the program instead of actual expenditures;
- Reconciliation of Federal expenditures was not performed and lack of supporting documents;
- Indirect cost rate charged to the program was not approved or did not agree to the approved rate;
- Expenditures charged to the grant through a manual adjustment (such as Journal entry or just an entry in the ledger) that did not have appropriate supporting documentation;
- Cost transfers between a current fund budget appropriation to a grant appropriation that did not have supporting documentation;
- Failure to complete the required reports resulting in reports not being filed or late filing.

Common Q & A

Q: Delinquent Single Audit – Not submitting the report after 9 month of the fiscal year ended.

A. Federal Agency's actions: Draw-down restriction, Suspending Reimbursable draw-down, Withholding a percentage of federal funds, Suspending federal funds, Termination of grant.

Q: Request for an extension for submission of Single Audit.

A. The Office of Management and Budget (OMB) has the sole authority to grant single audit extensions; however, OMB will only grant extensions under special circumstances such as when there is a Presidential declared disaster affecting the non-Federal entity.



Question & Answer



Thank you!

<https://hr.smcgov.org/resources-community-based-organizations-cbos>