# HOW TO PREPARE FOR YOUR SINGLE AUDIT

JANUARY 9, 2026

# KEY TOPICS

- Single Audit Update
- Different Perspectives
- Single Audit Overview
- SEFA & SESA Preparation
- Major Programs & Projects
- Audit Requirements for Major Programs
- Internal Controls over Compliance
- Findings and Reporting
- Key Takeaways

# SINGLE AUDIT UPDATE

# IS IT JUST ME?

# UNIFORM GUIDANCE UPDATE

- Effective Date: **October 1, 2024**

- Effective for audits of years ending subsequent to that date

  - For June 30 year ends – FY 2025 (ending 06/30/2025)

  - For September 30 year ends – FY 2025 (ending 09/30/2025)

- Effective for all awards issued subsequent to that date, and may be early implemented by Federal agencies

# IMPORTANT CHANGES TO UNIFORM GUIDANCE

- Threshold for single audit **increased** from $750k to $1 million in federal expenditures

- Type A threshold **increased** from $750k to $1 million.
    - Applies to entities with Federal expenditures up to $34 million, at which point the Type A threshold begins to increase
    - Type B risk assessment threshold = 25% of A; so starts at $250k

- When noncompliance is reported without questioned costs (or with undetermined questioned costs), an explanation as to why will be required

# DIFFERENT PERSPECTIVES ON FEDERAL AND STATE GRANT FUNDING

# HOW ELECTED OFFICIALS SEE GRANT FUNDING

# HOW OPERATING DEPARTMENTS SEE GRANT FUNDING

# HOW FINANCE & ACCOUNTING SEES GRANT FUNDING

# HOW AUDITORS SEE GRANT FUNDING

# THE REALITY OF GRANT FUNDING

# SINGLE AUDIT OVERVIEW

# SINGLE AUDIT OVERVIEW

- What is it?
  - A single, organization-wide audit of an entity's **compliance** and **controls over compliance** related to federal assistance/ grants.
  - In Florida, we also have a state single audit for state awards/grants

- Why is it required?
  - Standardized across agencies
  - Improve efficiency
  - Improve effectiveness
  - Reduce audit burden on grantees

# SINGLE AUDIT OVERVIEW

- Who has to get one?
  - Recipient or subrecipient (usually limited to non-federal entities)
    - States
    - Local governments
    - Indian Tribes
    - Institutions of higher education
    - Nonprofit organizations

  - **<u>Expending</u>** $750,000 or more of federal awards or assistance during their fiscal year (changing to $1M with the Uniform Guidance update)
    - This can get tricky for some grants
    - Some grantees will not require every year

# SINGLE AUDIT OVERVIEW

- Who performs the single audit?
  - The recipient or subrecipient must engage an independent CPA to perform the single audit

- How does this work with my financial statement audit?
  - The single audit is generally done in conjunction with the financial statement audit

- When is it due?
  - Nine months after fiscal year end

# SEFA & SESA PREPARATION

## SEFA & SESA PREPARATION

- More acronyms, really?!?!
  - SEFA = Schedule of Expenditures of Federal Awards
  - SESA = Schedule of Expenditures of State Assistance
  - ALN = Assistance Listing Number (the # formerly known as a CFDA #)
  - CSFA = Catalog of State Financial Assistance Number

- What do auditees need to report?
  - Each federal (state) award or assistance with any expenditures in the fiscal year
    - ALN/CSFA#, official name of the grant, & grant/contract #
    - Identifying "clusters" when appropriate
    - The granting agency (and pass through agency if applicable)
    - Total expenditures by ALN/CSFA# (and cluster if identified)
    - Amounts awarded to subrecipients

## SEFA & SESA PREPARATION

- Why is this so important?
  - SEFA/SESA draft is required for auditors to select the major programs/projects
  - **Any changes** to SEFA/SESA means more work for auditors = delays & ⬆costs
  - **Any changes** in amounts may **ADD** new major programs/projects = delays & ⬆costs

- What can go wrong?
  - **Missing grants** – equipment donation (non-cash awards) and decentralized depts.
  - **Incorrect amounts** – FEMA disaster relief; ARPA revenue replacement; grant match; retainage; encumbrances; prior year expenditures; late changes due to accounts payables cutoff issues; mismatch in revenue recognition requirements vs. expenditure reporting requirements; new ERP modules/reporting
  - **Confusing documentation** – pass-through grants sometimes are missing the ALN and direct grantor identification

## SEFA & SESA PREPARATION

OK. So this is important. How do I make sure I get it right?

- Start **EARLY**
  - Implement <u>**written**</u> policies and procedures:
    - Grant application and acceptance
    - Grant amendment and closeout
    - Entity-wide grant tracking responsibilities and processes
    - Accounting/Finance should be included in all steps
  - Ensure grant activity can be easily identified in the general ledger
    - Separate account elements (fund, unit, project, program, etc) for each grant
  - Identify, assess, and <u>**document**</u> internal controls over the grant tracking process

# SEFA & SESA PREPARATION

- Update **OFTEN**
  - Reconcile grant tracking reports regularly during the year
    - to grant general ledger balances
    - to grant module reports if appropriate
  - Research and identify variances
  - <u>Document</u> reconciliation and separate individual's <u>review</u> of reconciliation (internal control!)

## SEFA & SESA PREPARATION

- Final draft **TRIPLE CHECK**
  - Ensure cutoff importance for grant expenditures is communicated clearly
  - Reconcile to general ledger balances (rev & exp)
  - Compare to prior year SEFA/SESA
  - Research and identify variances
  - If you have questions or complicated issues – **ASK YOUR AUDITORS!**
  - <u>Document</u> reconciliation and separate individual's <u>review</u> of reconciliation (internal control!)
    - Take credit for your good work!!

# SEFA & SESA PREPARATION
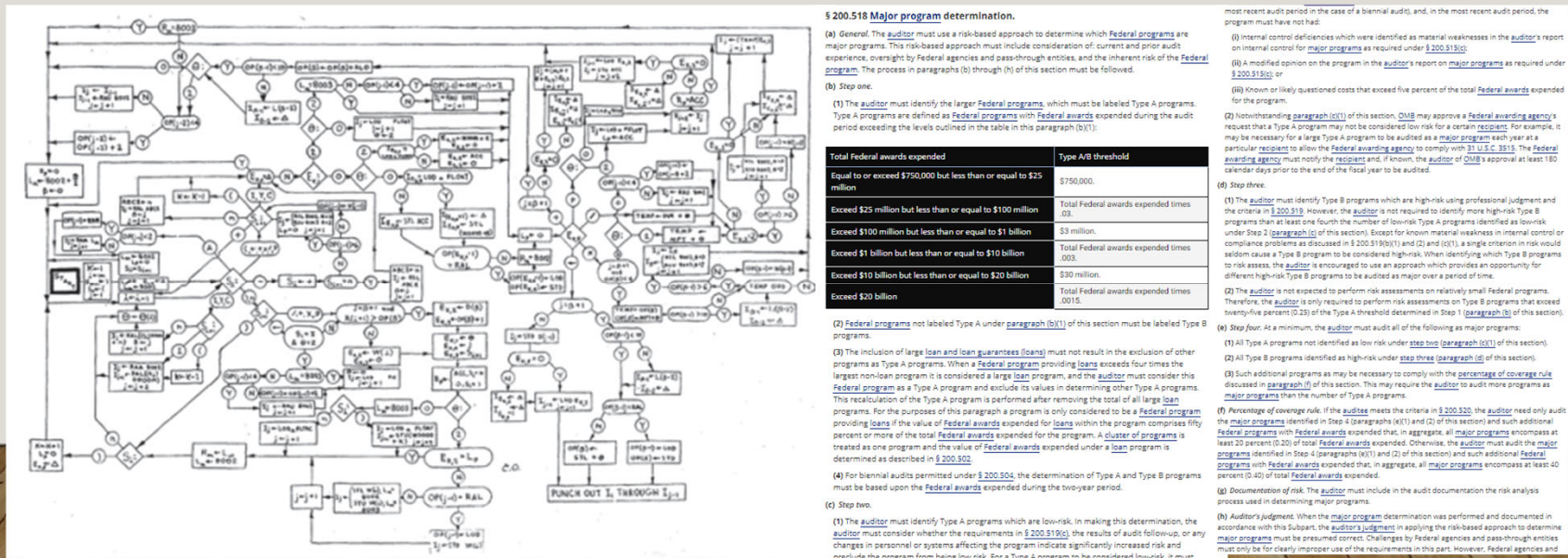
- Celebrate **ROCKSTAR** status!
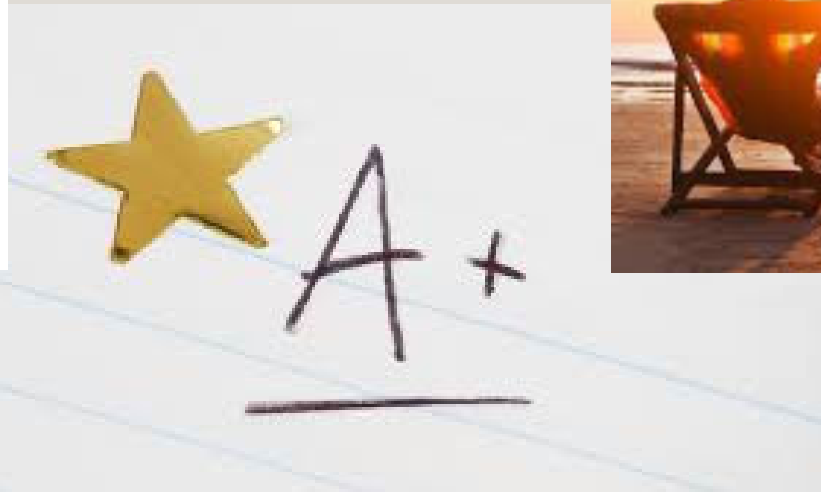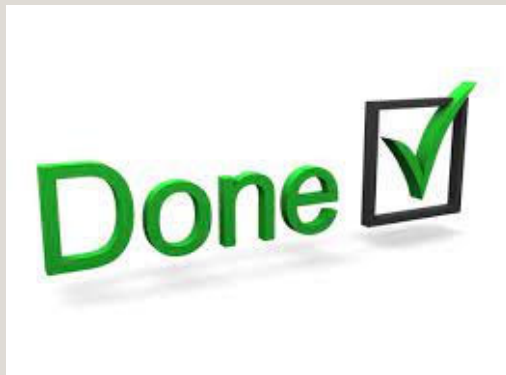
# MAJOR PROGRAMS & PROJECTS

# MAJOR PROGRAMS AND PROJECTS

- What are they?

  - The grants that the auditors select for the single audit

- How do the auditors choose the grants that are major?

## MAJOR PROGRAMS AND PROJECTS

- How do the auditors actually choose the grants that are major?
  - Defined and inflexible steps based on:
    - Relative size of each grant's expenditures for the year
      - the "big" dollars
    - Risk assessment of certain grants
      - new, complicated, not recently audited, prior findings
    - Minimum percentage (coverage) of total grant expenditures required
      - Also changes based on risk of the entity (20% vs. 40% for federal)

- What is the grantee's responsibility?
  - Preparation of an accurate and complete listing of grant expenditures for the fiscal year, including internal controls over the schedule preparation.

# LOW-RISK AUDITEES

## 2 CFR 200.520 lists the criteria for a low-risk auditee

Single audit must have been conducted and submitted on time for the past two years

Clean audit opinions for past two years

No material weaknesses (financial statement or single audit) for past two years

No known or likely questioned costs that exceeded 5% of total federal awards expended for a Type A program for past two years

# Major Program Selection

**Major Programs**

| | |
|---|---|
| **Low-risk Auditee determination** | • Affects required coverage |
| **Type A threshold determination** | • 750k (will change to $1M), unless total federal awards exceed $25 million (will change to $35M) |
| **Risk assessments for Type A's** | • Limited auditor judgment in decision |
| **Large Type B threshold determination** | • 25% of Type A threshold |
| **Risk assessments for Large Type B's** | • Decision based on auditor judgment |
| **Determine required coverage** | • 20% for low-risk auditees<br>• 40% otherwise |
| **If required coverage not met, add programs for coverage** | • No requirements |

All Type A's that are not low risk

Certain large Type B's assessed as high risk

Additional to reach minimum coverage

# WHAT IS IN THE AUDITEE'S CONTROL

- A reconciled and reviewed SEFA/SESA
  - Selection of major programs is precise and time consuming; changes to SEFA/SESA increase audit time and cost
  - Late changes can result in new major programs
  - Late changes can result in audits of grants that would not have otherwise been required
- Timely and "clean" audits for two prior years
  - Low risk auditee status can reduce number of grants to be tested
    - Threshold reduces from 40% of exp to 20% of exp
  - Low risk large grants may exempt certain type A grants from audit for two years

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS
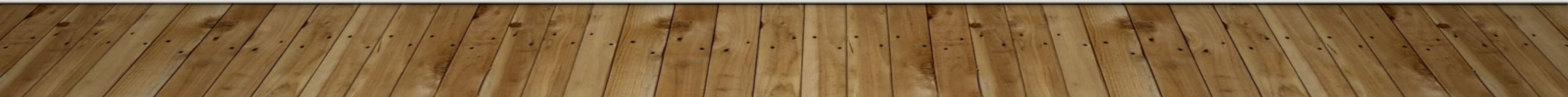
# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Why are the auditors bugging me for all of this documentation????

## AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Why are the auditors bugging me for all of this documentation????

- Auditors are required to identify direct and material compliance requirements for each major program
  - Grant application
  - Grant agreement/award documents
    - Including all appendices
    - Signed with dates of award and acceptance
  - Grant amendment documents
  - OMB Compliance Supplement

## AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Wait a second; what is this "OMB Compliance Supplement" that auditors use? Is it a big secret? Should grantees be using this or is it cheating?

- Published <u>annually</u> by the Executive Office of the President, Office of Management and Budget and publicly available online for free
  - Detailed description of how overall compliance requirements are defined
  - Separate listings for hundreds of grants with the ALN, official name, and the grant compliance requirements that are considered subject to audit
    - Includes compliance requirement details when the grant has specific requirements
  - Internal control guidance
  - Grant cluster and higher risk grant listings
  - Grant agency contact names and emails/phone numbers
  - 2,208 pages for 2025

## AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- For each major program, auditors must identify the direct and material compliance requirements

- For <u>each</u> direct and material compliance requirement, auditors must:
  - Assess inherent risk of noncompliance
  - Identify and test <u>internal controls over compliance</u>
  - Test compliance

- For each major program, auditors must assess and report:
  - Deficiencies in internal controls over compliance
  - Noncompliance
  - Questioned costs

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- The Compliance Supplement defines 12 compliance requirements
  - Not all will be applicable to every grant
  - Some have multiple "sub-requirements"

- Each compliance requirement has a letter designation

| 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 |

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Section III describes generic compliance requirements A-N

- For each compliance requirement it contains:

  - Explanation of the requirement in general terms

  - Source of the governing requirements

  - Additional details, resources, guidance where appropriate

  - Audit objectives

  - Suggested audit procedures for testing internal control over compliance

  - Suggested audit procedures for testing compliance

**CAUTION**

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- C: Cash Management
  - In cost-reimbursement grants; some grants require that the expenditure is **<u>disbursed prior</u>** to the grantee requesting grant reimbursement.
    - Retainage is not disbursed but is often recorded as an expenditure
    - Some AP modules are programmed to hold payment after expenditure approval for 30-45 days prior to actual disbursement
  - In advance funded grants; some grants require the calculation and reporting of earned interest as program income.
  - Reperformable internal controls over this area are often missing.

**WARNING**

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- F: Equipment and Real Property Management
  - Certain grants require tracking of equipment and property purchased with grant funds for extended periods of time.
    - Property records must be maintained with specific information, including disposition
    - Physical inventory must be taken and reconciled to records at least once every two years
    - Safeguarding and maintenance procedures must be developed to protect property
    - Approval of granting agency is often required prior to disposition of property
  - Reperformable internal controls over all applicable requirements are often missing.

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- F: Equipment and Real Property Management – Suggested audit procedures

Inventory Management of Equipment Acquired Under Federal Awards

a.  Identify equipment acquired and trace selected purchases to the property records. Verify that the property records contain the required information.

b.  Verify that the required physical inventory of equipment was performed. Test whether any differences between the physical inventory and equipment records were resolved.

c.  Select a sample from all equipment acquired under federal awards from the property records and physically inspect the equipment and determine whether the equipment is appropriately safeguarded and maintained.

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- G: Matching, Level of Effort, Earmarking

  - Internal control documentation over this area is often missing although noncompliance is not commonly found.

| 2.1 | **Level of Effort** – *Maintenance of Effort* |
|-----|-----|
| a. | Identify the required level of effort and perform tests to verify that the level of effort requirement was met. |
| b. | Perform test to verify that only allowable categories of expenditures or other effort indicators (e.g., hours, number of people served) were included in the computation and that the categories were consistent from year to year. For example, in some programs, capital expenditures may not be included in the computation. |
| c. | Perform procedures to verify that the amounts used in the computation were derived from the books and records from which the audited financial statements were prepared. |
| d. | Perform procedures to verify that non-monetary effort indicators were supported by official records. |

## AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- I: Procurement and Suspension and Debarment
    - Special requirements for some grants/agencies (FEMA is a common one)
    - Contracts awarded may not have all required clauses (Buy America, wage-rate requirements, etc)
    - Local geographic preference policies over procurement may not be allowed
    - Smaller grantees may not have up to date compliant purchasing policies adopted
    - Internal control documentation over this area is often missing
        - ESPECIALLY over suspension and debarment

**CAUTION**

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- L: Reporting
    - Financial reporting, performance reporting, special reporting, FFATA reporting
    - Common noncompliance is related to timely reporting
    - Internal control documentation over this area is often missing
        - Documentation of review of report prior to submittal to granting agency for accuracy, timeliness, and completeness

## AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- M: Subrecipient Monitoring
  - Differentiating between subrecipient and vendor relationships is critical and complicated (when in doubt, contact your granting agency and your auditor)
  - Responsibility for ensuring compliance with all grant requirements remains with the grantee, including risk of recapture of funds misspent by subrecipient
  - Noncompliance is common and can be material
  - Internal control documentation over this area is often missing

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- M: Subrecipient Monitoring – Suggested audit procedures

1. Review the PTE's subrecipient monitoring policies and procedures to gain an understanding of the PTE's process to identify subawards, evaluate risk of noncompliance, and perform monitoring procedures based upon identified risks.

2. Review subaward documents including the terms and conditions of the subaward to ascertain if, at the time of subaward (or subsequent subaward modification), the PTE made the subrecipient aware of the award information required by 2 CFR section 200.331(a) sufficient for the PTE to comply with federal statutes, regulations, and the terms and conditions of the award.

3. Review the PTE's documentation of monitoring the subaward and consider if the PTE's monitoring provided reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward.

4. Ascertain if the PTE verified that subrecipients expected to be audited as required by 2 CFR Part 200, Subpart F, met this requirement (2 CFR section 200.331(f)). This verification may be performed as part of the required monitoring under 2 CFR section 200.331(d)(2) to ensure that the subrecipient takes timely and appropriate action on deficiencies detected though audits.

# AUDIT REQUIREMENTS FOR MAJOR PROGRAMS

- Compliance Requirements with higher frequency of findings:

- N: Special Tests and Provisions
  - For grants listed in the compliance supplement, these may have multiple separate requirements which all must be assessed and tested
  - More difficult to identify in grants not included in the compliance supplement
  - Internal control documentation over this area is often missing
  - Example – CDBG ALN 14.218 has six areas under "N"
    1. Wage Rate Requirements
    2. Citizen Participation
    3. Required Certifications and HUD Approvals
    4. Environmental Reviews
    5. Rehabilitation
    6. Section 3 of the HCDA

# INTERNAL CONTROLS OVER COMPLIANCE

(TAKE CREDIT FOR YOUR WORK!)

# INTERNAL CONTROLS – WHY DO I CARE??

- We're clearly in compliance with our grant requirements; so why are the auditors asking for documentation of internal controls over compliance?

- The short answer: Uniform Guidance requires grantees to establish and maintain effective internal controls and for auditors to test them

- The longer answer: Compliance vs. internal controls over compliance
  - Compliance: The vendor we hired for the grant was not suspended or debarred.
  - Internal Control over Compliance: The Purchasing Manager **reviews** SAM.gov prior to awarding the contract to ensure the vendor is not on the exclusion listing
  - **Reperformable** Internal Control over Compliance: The Purchasing Manager reviews SAM.gov prior to awarding the contract to ensure the vendor is not listed on the exclusion listing **and documents the date and time of the review in the notes to the purchase order with their initials or electronic signature**

## INTERNAL CONTROLS – WHY DO I CARE?

- I get the auditors have to ask about them; what happens if we just say we don't have any?

- Auditors are required to report material weaknesses and significant deficiencies over internal controls for direct and material compliance requirements for each major program
  - No one wants findings; these are in public documents
  - Can result in losing low-risk auditee status
  - Can result in additional grants/programs being audited in future years which increases audit time/effort and cost
  - May result in additional oversight from granting agencies such as desk audits or loss of future funding

# INTERNAL CONTROLS OVER COMPLIANCE

- Objectives:
  - Transactions are properly recorded for:
    - Reliable financial statements and grant/program reports
    - Maintaining accountability over assets acquired by grants/programs
    - Demonstrating compliance with grant/program requirements
  - Transactions are executed in compliance with grant/program rules
  - Funds, property, and other assets are safeguarded from loss or unauthorized use or disposition

- Effective internal controls over compliance serve to:
  - Prevent noncompliance or
  - Detect and correct noncompliance on a timely basis

# KEY INTERNAL CONTROLS

- Effective
  - Preventing or detecting and correcting noncompliance in a timely manner
  - Consider "what could go wrong"
- Efficient
  - May cover more than one compliance requirement
  - More likely to be consistently performed
- Reperformable
  - Documented in policies and procedures
  - Signature, initials, electronic audit trail, email records
    - Identify name and title of officials and date of performance
  - Record of control performance maintained and well-organized

# CONSIDER MULTIPLE POPULATIONS FOR DESIGNING CONTROLS
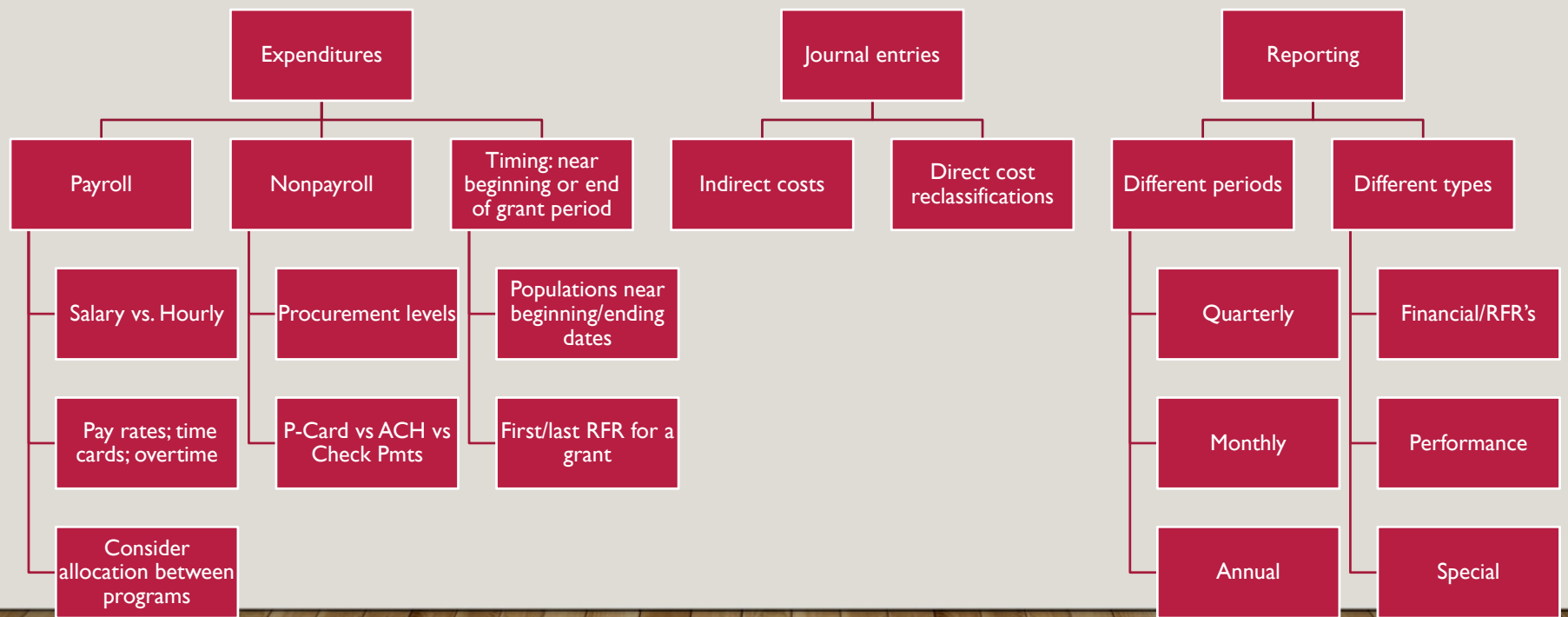
# EXAMPLES OF INTERNAL CONTROLS OVER COMPLIANCE

- Payroll:
  - Pay rate entry and changes are approved in a documented electronic workflow by the department director and human resources manager
  - Timecards are signed and dated by each employee and the employee's supervisor each week
- Reporting:
  - Monthly draw requests are prepared by the grant accountant and are reviewed for all applicable compliance requirements by the finance director prior to submittal. Review is documented by a signature and date.
  - Annual housing grant reports are reconciled to the subledger and grant ledger for amounts and performance data by the grant supervisor. Review is documented with tickmarks and an email from the grant supervisor to the grant fiscal manager which is retained.
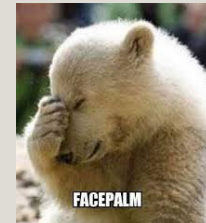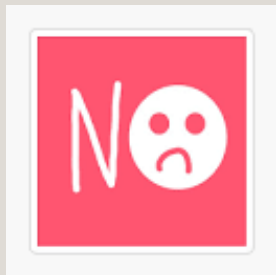
# FINDINGS AND REPORTING

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- Do auditors enjoy it when they have findings to report?



- Why not?
    - The format of findings is also determined by the Uniform Guidance and is challenging to develop
    - Findings take a lot of time to research, verify, discuss, and document
    - Findings this year mean we have more audit work to perform next year, sometimes a lot more audit work
    - Definitely do not make us popular with our clients

# FINDINGS AND REPORTING

- Internal control deficiencies over the preparation of the SEFA/SESA
  - Financial statement finding, not a single audit finding
- Noncompliance over major programs/projects
  - May be verbal, in the management letter, or a numbered separate finding
  - Material noncompliance requires the modification of the opinion on compliance for the single audit
- Internal control deficiencies over compliance over major programs/projects
  - May be verbal, in the management letter, or a numbered separate finding
  - Deficiency, significant deficiency, or material weakness

## FINDINGS AND REPORTING

- Numbered separate findings will require a detailed response "corrective action plan" from management (generally on grantee organization letterhead) that contains for each single audit finding:
  - Name of contact person(s) responsible for the corrective action
  - The corrective action planned
  - The anticipated completion date of the corrective action
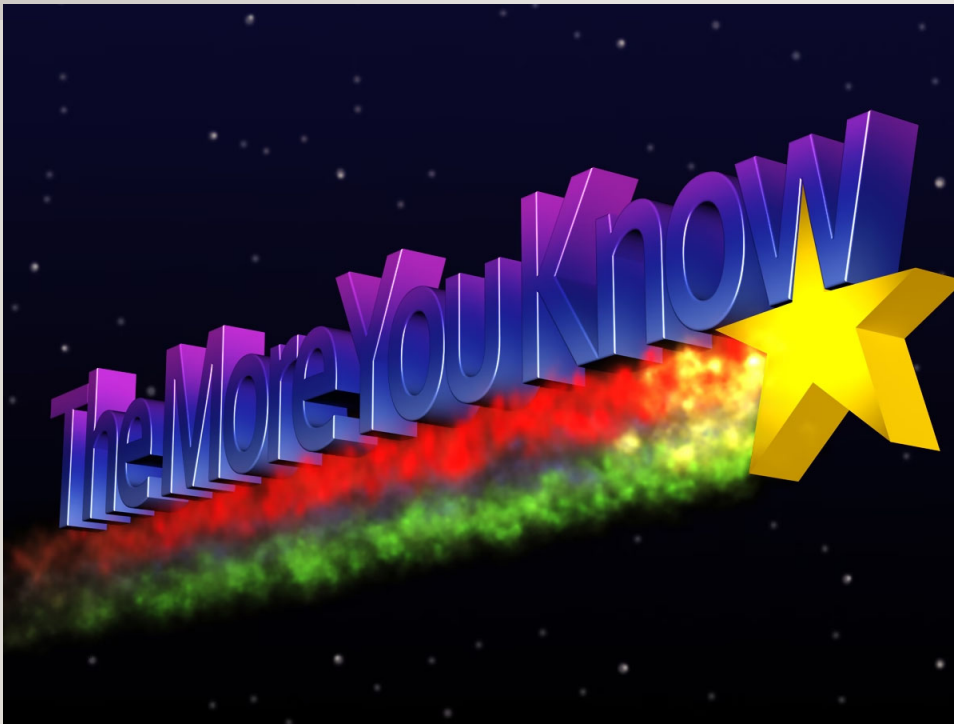  - Explanation of and reasons for any disagreement with the audit findings

# KEY TAKEAWAYS

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- Create and implement written policies and procedures for all stages of the grant lifecycle

- Track and reconcile grants early, often, and triple check at FYE

- Study and share the OMB Compliance Supplement (it's not cheating!)

- Identify (or create) and document internal controls over compliance for each grant (more = better)

- Ask your auditors **<u>anytime</u>** you need guidance

# THANKS FOR BEING HERE!



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