

Federal Grants Compliance and Audit Requirements:

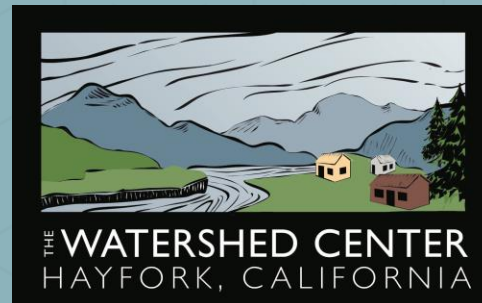
# BEST PRACTICES AND WATCH-OUTS

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## PART TWO

**Clark Nuber** PS

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February 27, 2025

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## Zoom Reminders



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Q&A

Enter questions for presenters at any time.



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Record

This webinar is being recorded.



The Watershed Research and Training Center is a non-profit organization located in the heart of Trinity County, California. We conduct the full gamut of land and watershed management services, lead state biomass and fire resilience partnerships, and through partnerships with communities, organizations, and public agencies we steward our landscape, create and sustain quality jobs, and connect people to the land and each other.



People learning and working together are the foundation of fire adaptation.

FAC Net invests in people and in place-based efforts to change relationships with fire. Together, we empower leaders, resource strategic action, develop tools, and create and share approaches to increase wildfire resilience.

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## RELATED TRAININGS & RESOURCES

- “Navigating Match” primer and template
- Introduction to SAM.gov and Grants.gov
- Understanding Forest Service Grants and Agreements

### WRTC Community Navigator Project



[thewatershedcenter.com  
/featured-projects-cnp](https://thewatershedcenter.com/featured-projects-cnp)

### Funding FAC Work



[fireadapted.org/funding-fac](https://fireadapted.org/funding-fac)

*This presentation is supported through funding from the U.S. Forest Service*

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# About Clark Nuber



Located in Bellevue, WA



300+ employees



Named one of the best places to work, locally & nationally



**Services:** Audits, Reviews, & Compilations; Tax Compliance & Planning; International, State, & Local Tax Services; Software Assessment and Selection; CFO, Bookkeeping, & Accounting Services; IT audits and more.



70+ years in existence



25 shareholders



One of the top 100 accounting firms in the nation



**Serve:** Not-for-Profit & Public Sector, Privately Held & Family-Owned Businesses, and High Net Worth Individuals



# Meet the Clark Nuber Team

## Current Practice Focus

- ✓ Shareholder in the not-for-profit, public sector, Single Audit & Federal grant advisory practices
- ✓ WSCPA Government Committee – Auditing Subcommittee Chair
- ✓ GAQC Executive Committee member – prior

## Personal

- ✓ Indiana Native
- ✓ Identical twin University of Washington Husky daughters



**Troy Rector, CPA**

Shareholder



**Jen Keller, CPA**

Principal

## Current Practice Focus

- ✓ Federal Compliance Advisory Services & NFP Accounting Services
- ✓ National Grants Management Association, PNW Chapter Vice Chair

## Personal

- ✓ Returned Peace Corps Volunteer - Niger
- ✓ Worked for international and national not-for-profits before joining Clark Nuber in 2018

# Session Overview

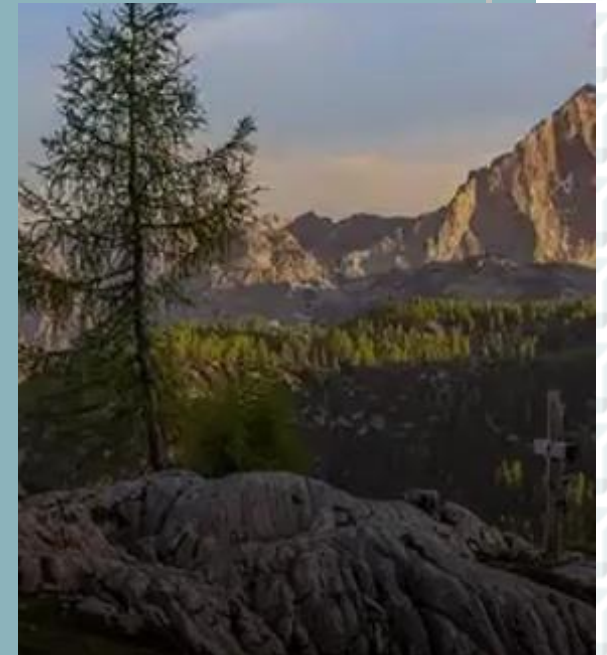
## Federal Grants Compliance and Audit Requirements: Best Practices and Watch-outs

✓ **Part One** | February 18, 2025

**Part Two** | February 27, 2025

**Part Three – Special Q&A** | February 28, 2025

*Registration is open!*



# Learning Objectives



- Reviewing the Basics of the UG
- Review Subchapter D & E Provisions & Common Watch-outs!
- Indirect Cost Rate
- Monitoring, Reporting, & Closeout
- Overarching Single Audit Prep
- Implications of Single Audit Findings



# Acronyms

Acronym	Meaning		Acronym	Meaning
ALN	Assistance Listing Number		PII	Personal Identifiable Information
CAP	Corrective Action Plan		PTE	Pass-through Entity
CFR	Code of Federal Regulation		R&D	Research & Development
GAGAS	Generally Accepted Government Auditing Standards		S&D	Suspension & Debarment
NICRA	Negotiated Indirect Cost Rate Agreement		SEFA	Schedule of Expenditures of Federal Awards
NoA	Notice of Award		UG	Uniform Guidance/ 2 CFR 200
OMB	Office of Management and Budget		UEI	Unique Entity Identifier



# Objective

Reviewing the Basics of the  
UG

# UG Reminder:



**MUST** is a must



**SHOULD** is a best practice

# Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

2 Code of Federal  
Regulations Part  
200

[https://www.ecfr.gov/  
current/title-  
2/subtitle-A/chapter-  
II/part-200](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200)

- Subchapter A - Acronyms and Definitions
- Subchapter B - General Provisions
- Subchapter C - Pre-Award Federal Requirements and Contents of Federal Awards
- Subchapter D - Post Federal Award Requirements
- Subchapter E - Cost Principles
- Subchapter F - Audit Requirements
- Appendices – Contract provisions, Indirect Cost appendices





# Uniform Guidance – Find the Reference



What is the 2 CFR Part 200 Reference for the following:

- ☐ Allowable cost provisions
  - Compensation – Standards for Documentation of Personnel Expenses
- ☐ Procurement Methods to be followed
- ☐ Audit Requirements



# Objective

## Reviewing Subchapter D & E Provisions

# Subpart D: Post-Award Requirements

## Standards for Financial and Program Management

- Financial management systems
- Internal controls
- Payment (cash management)
- Cost sharing
- Revision of budget and program plans

## Property standards

## Procurement standards

## Subrecipient monitoring



# Cost Sharing/Matching



# UG At-A-Glance:

## Cost Sharing/Matching - 200.306

### Matching costs

- Must be an allowable cost based on the award terms and conditions just as if charged as a direct cost

### Unrecovered indirect costs

- Must have a federally negotiated indirect cost rate to use
- May be included as cost sharing or matching
- Requires prior approval (grant application, etc.)

### Volunteer services

- Not subject to the “skilled” labor requirements of GAAP (could result in donated services claimed but not recorded in the GL)
- May include fringe benefits in the valuation that are otherwise paid by the organization

### Donated goods and services

- Very specific rules – read the guidance in detail if utilizing!

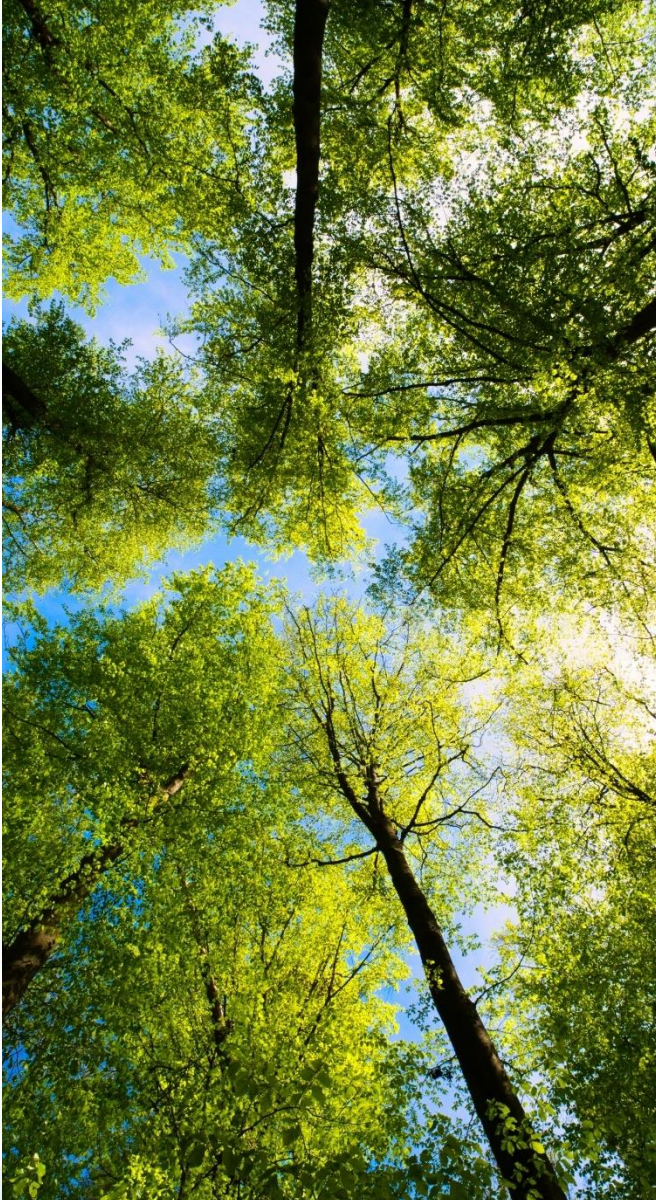
# Single Audit Common Findings

## Cost Sharing/Matching

**What the Auditor Finds:** Lack of documentation, unallowable costs, valuation issues, double claiming costs, and Matching requirement not met

**How an Auditee can avoid a finding:**

- Carefully read and understand the specific matching requirements outline in the grant agreement, including the allowable types of matching contributions and any restrictions on the source of the matching funds.
- Maintain detailed documentation – including receipts, time sheets, and valuation assessments for in-kind contributions.
- Ensure that costs are not counted as both direct charges and as matching contributions and that matching funds are not claimed for more than one federal award.
- When using in-kind contributions as part of the match, ensure that they are valued correctly, documented thoroughly, and meet the federal award's criteria. Obtain independent appraisals or use recognized fair market values when necessary.



# Prior Approvals & Budget Revisions



# UG At-A-Glance:

## Prior Approvals – 200.407

### Prior Written Approval

- Sometimes the reasonableness and allocability of certain items of costs may be difficult to determine. To avoid subsequent disallowance, seeking prior written approval of the cognizant agency (indirect costs) or the Federal awarding agency in advance is recommended.
- Some circumstances require prior written approval. The Uniform Guidance has a listing of these costs outlined at 2 CFR Part 200.407



# UG At-A-Glance:

## Revision of Budget and Program Plans - 200.308

- Recipients are required to report deviations from project scope/budget
  - 10% of budget
  - 25% reduction in time or disengagement for more than 3 months by key individual
  - For non-construction awards, must request prior approvals from Federal awarding agency for various items, including but not limited to:
    - Change in scope/objective
    - Change in key personnel
    - Changes in approved cost sharing/matching
    - Specific costs noted in Subpart E 200.407
    - Transfer of ANY funds budgeted for *participant support costs* to other categories
  - No other prior approval aside from this section is allowed unless approved by OMB
  - USG can issue a waiver to
    - Incur project costs 90 days prior to Federal Award (at your own risk)
    - No cost extension (specific terms in 308 (d)(2))

# Single Audit Common Findings

## Prior Approvals

Prior Approvals not received, as an example, for the following items

- Capital equipment funded with Federal program funds
- Fixed amount subawards made by the auditee as a Pass-Through Entity

### Key Personnel

- Lack of process to track and measure Key Personnel actual efforts against award requirements
- Lack of documented prior approval when there is a change in Key Personnel



# Property Standards

# UG At-A-Glance:

## Real Property (200.311) and Equipment (200.313)

- Title to real property and equipment acquired or improved under Federal award will vest upon acquisition with the non-Federal entity
- Use for originally intended purposes
- Equipment management requirements: Maintain property records, physical inventory, following award specific disposition requirements



# Single Audit Common Findings

## Equipment Management

- Equipment records do not contain the required UG information – Federal award specific information and % of purchase funded
- Required biennial physical inventory of Federally funded equipment not performed
- Award specific disposition instructions not followed when fair value of the equipment (at disposition) exceeded \$10k



# UG At-A-Glance: Procurement

# UG Procurement Standards



## Goods and services charged to:

- ❌ Non-Federal program
- ❌ Indirect cost pool
- ✅ Federal award

# Uniform Guidance Procurement Methods

Method	Dollar Threshold	Documentation Requirements
<b>Micro-purchase</b>	Not to exceed micro-purchase threshold (\$10,000 UG or possibly higher if certain requirements met)	Can award without soliciting competitive price or rate quote if price is reasonable based on research, experience, purchase history or other information and documents it files accordingly.
<b>Small purchase procedure</b>	Greater than micro-purchase, not to exceed Simplified Acquisition Threshold [\$250,000]	Adequate number of price or rate quotes as determined appropriate by the non-Federal entity
<b>Sealed bid</b>	Greater than SAT	Formal proposal process, Firm-fixed-price contract, typically used for construction activities
<b>Competitive proposal</b>	Greater than SAT	Formal proposal, basis for contractor selection
<b>Noncompetitive proposal</b>	Greater than micro-purchase	See next slide – Documented justification for use of the noncompetitive method!

Organizations can establish **lower** thresholds based on internal controls, risk assessment, and documented procedures

# Noncompetitive Procurement

*Justification for use must document applicability of **one** of the following conditions:*

- *Aggregate amount does not exceed micro-purchase threshold*
- Only available from a single source
  - Not for convenience purposes
- Public exigency or emergency will not permit a delay resulting from *publicizing a competitive solicitation*
- Explicit approval from awarding agency
- After solicitation, inadequate competition



# Single Audit Common Findings

## Procurement

**What the Auditor Finds:** Written procurement policy does not require procurement actions aligned with the UG Procurement Methods

**How an Auditee can avoid a finding:** Maintain a written Procurement Policy and Procedures that address:

- Informal procurements up to the Simplified Acquisition Threshold (SAT) of \$250K.
  - Micro-purchases
  - Small purchases
  - Noncompetitive purchases: single source, emergency, written federal agency approval, or inadequate competition determination after solicitation of a number of sources.
- Formal Procurements above SAT.
- Maintain a written conflict of interest Policy and Procedure (200.112).

# Suspension & Debarment

*Covered transactions – i.e. what these requirements apply to:*

- *Procurement transactions > \$25,000*
- *All subawards and Non-Competitive procurements greater than the Micro-Purchase threshold*

Performing **ONE** of the following procedures satisfies the suspension and debarment requirement

- Verify vendor/individual is not suspended or debarred by documenting search of SAM.gov
- Include suspension and debarment clause in the vendor contract
- Stand-alone suspension and debarment certification

# Single Audit Common Findings

## Suspension & Debarment

**What the Auditor Finds:** No suspension and debarment checks have been performed.

**How an Auditee can avoid a finding:**

- Maintain written procedures to address methods and documentation to be retained
- *Perform checks or include self-certifying contract language on all covered transactions – i.e. Procurement transactions > \$25,000 and All subawards and Non-Competitive procurements greater than the Micro-Purchase threshold*



# UG At-A-Glance: Subrecipient Monitoring

# Key Definitions §200.1

## PTE

- A non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

## Beneficiary

- Not specifically defined in the UG. A beneficiary can be an individual or business that is an eligible applicant and is the recipient of benefit of the Federal program.

## Subrecipient

- An entity that receives a subaward from a PTE to carry out part of a Federal award; but does not include an individual that is a beneficiary.

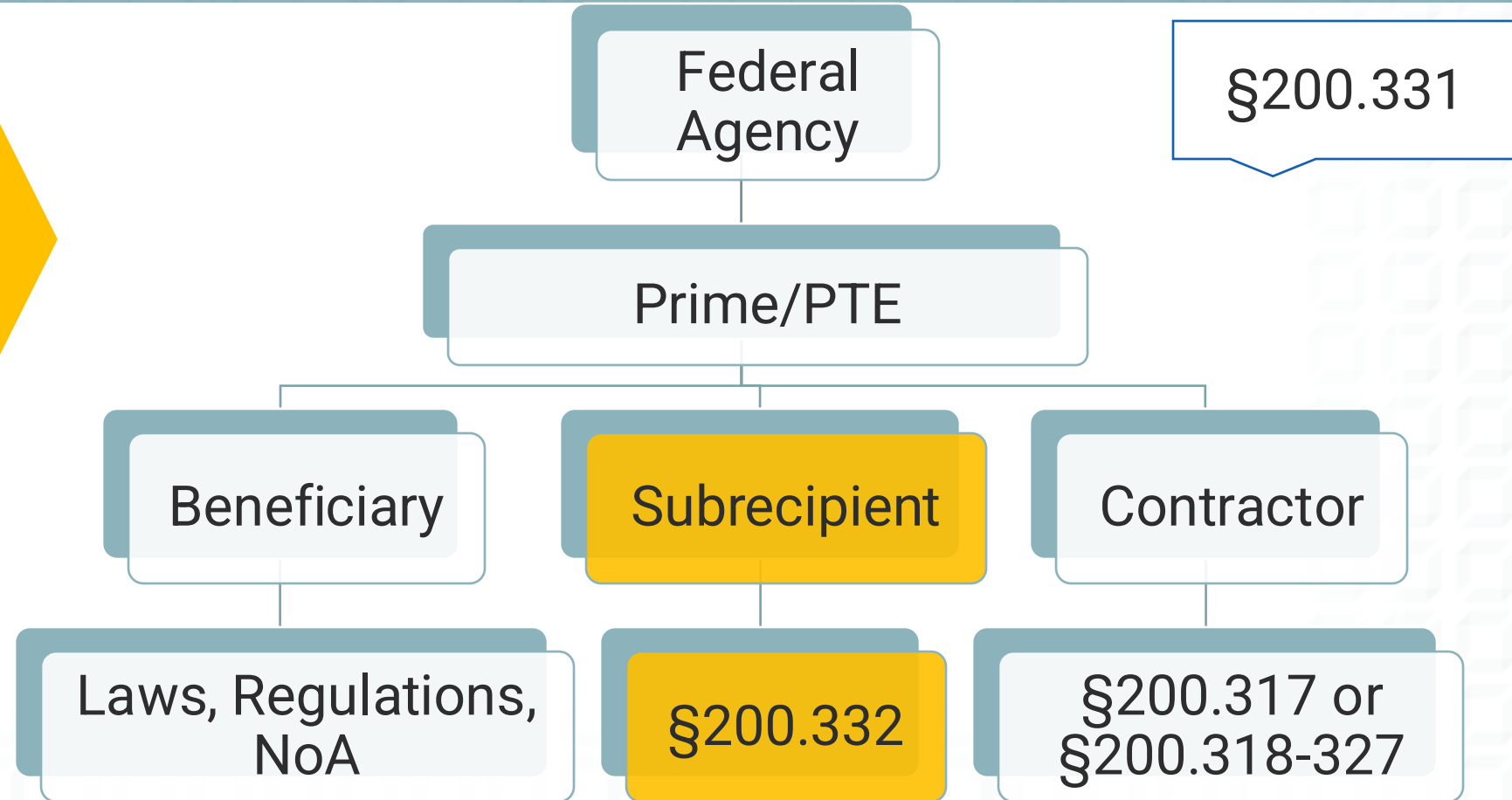
## Contactor

- An entity that receives a contract for the purpose of providing goods and services for the awarding non-federal entity's own use.



# Hierarchy of Funding

2 CFR 200  
references  
throughout to  
direct you to  
the UG





# Contractor vs. Subrecipient Determination

# Contractor vs. Subrecipient Determination: An Overview

Pass-Through Entity's responsibility with  
"input" from PTE's grantor

The determination concludes on the terms and  
conditions of the relationship

Case-by-Case Determination

Substance Over Form

# Subrecipient vs. Contractor: Decision Points

## Subrecipient

- Can determine who is eligible to receive what Federal assistance
- Performance is measured relative to objectives of a Federal program
- Is responsible for making programmatic decisions
- Is responsible for adherence to applicable Federal program requirements

## Contractor

- Provides a good or service that benefits the pass-through entity
- Goods or services provided are within the entity's normal business operations
- Goods or services are ancillary to the Federal program
- Is not subject to the compliance requirements of the Federal program

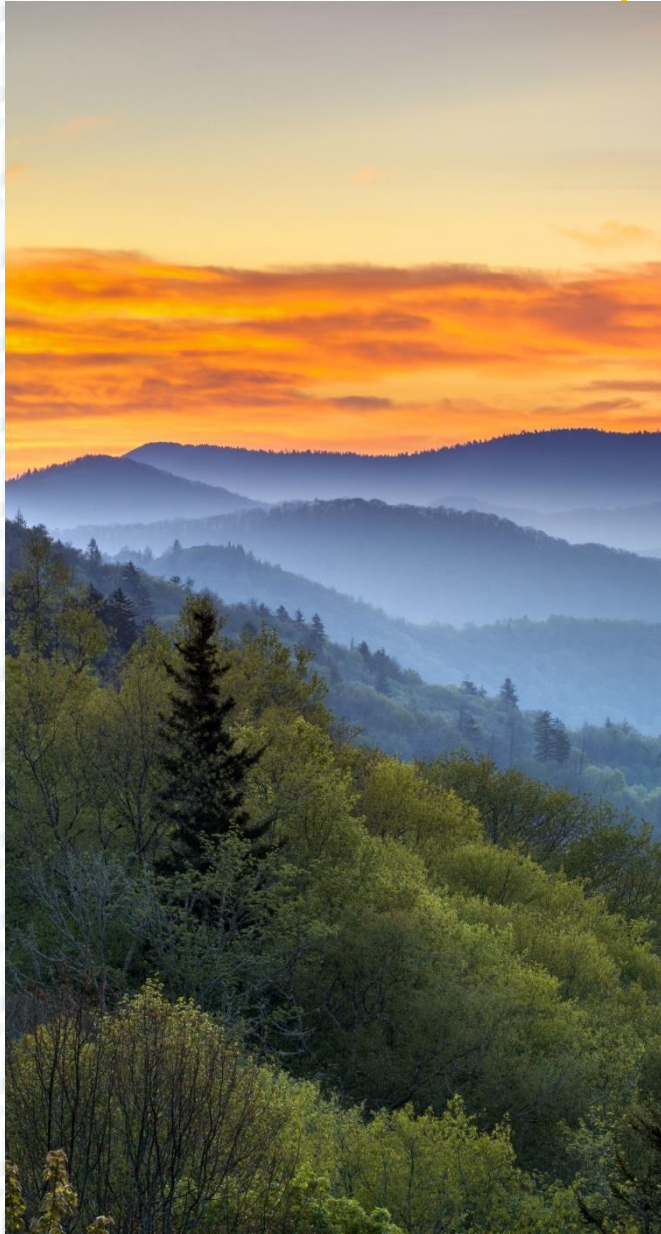
# Questions

**A Prime/PTE can pass Federal Grant dollars to...?**

1. Contractors and subrecipients
2. Contractors, subrecipients, and beneficiaries
3. Subrecipients only
4. None of the above







# PTE Subrecipient Monitoring

# Subrecipient Monitoring: Pass-Through Entity [PTE] Responsibilities

UG FAQ Q-44 – Timing of  
Subrecipient Risk Assessment

Determining  
the  
Relationship  
§200.331

Subrecipient  
Risk  
Assessment  
§200.332

Subaward  
Agreement  
Terms  
§200.101(b)  
(2), 200.332

Subrecipient  
Monitoring –  
Financial &  
Programmatic  
§200.332

Subrecipient  
Single Audit  
Results  
2 CFR 200,  
Subpart F

# Subrecipient Responsibilities

- Implement allowable activities under the award in compliance with federal statutes, regulations and the terms and conditions in the subaward.
- Establish and maintain effective internal controls over federal awards.
- Evaluate and monitor compliance.
- Take prompt action when instances of noncompliance arise.
- Track Federal expenditures and arrange for a Single Audit, if required.
- Provide PTE and auditor access to books, records, personnel and other information requested.

# Subrecipient Monitoring: Subrecipient Risk Assessments

2 CFR 200.332(b)

- Perform and document a subrecipient risk assessment – evaluate each subrecipient’s risk of non-compliance to determine extent of Subrecipient Monitoring.
- Asking the “right” questions upfront and understanding key compliance/fiscal policies.
- Factors to consider:
  - Sub’s prior experience with similar awards or sub awards.
  - Results of prior audits and Federal Single audits.
  - Consistency of personnel and systems.
  - Perform Suspension & Debarment procedure.
  - Review Federal Awardee Performance and Integrity Information System (FAPIIS) – now Responsibility/Qualification (R/Q) on Sam.gov.
- Assessment must be documented.





# Crafting the Subaward Agreement

Ensure that every sub-award includes the following (among others):

- Subrecipient's name and **UEI**
- **Name of Federal awarding agency**
- **Federal Award Identification Number**
- **Assistance Listing number and Federal program name**
- Identification of whether the award is R&D
- Project description, period of performance, amount of funds obligated
- **All requirements to ensure the award is used in accordance with Federal statutes, regulations, and terms and conditions of the Federal award (i.e. flow down provisions)**
- Method used to recover Indirect costs (NICRA, De Minimis, etc.)
- Access to subrecipient's records (i.e., "audit" provision)
- Close-out procedures
- Specific subaward conditions, as determined necessary
- Suspension and debarment – consider including certification clause to satisfy S&D requirements

2 CFR 200.332(a)



# Subrecipient Monitoring Activities

- Subrecipient Monitoring activities **must** include:
- Reviewing financial and programmatic reports.
- Follow-up to ensure timely and appropriate action on all deficiencies noted.
- Consider providing training and technical assistance and performing on-site reviews depending on risk.
- Verifying that Single Audits were conducted, when required.
- Issuing management decisions (§200.521) for audit findings pertaining to federal award.
- Evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with Federal regulations.
- Consider taking enforcement action against noncompliant subrecipients.  
(§ 200.339 – Remedies for noncompliance)

# Subrecipient Monitoring: What Must PTEs Document?

- Policies and Procedures – Subrecipient Monitoring Policy
- NoA
- Subaward Agreements
- Risk Assessment
- Monitoring Plan
- Subrecipient financial and programmatic reports
- Key subrecipient communications
- Monitoring activities – including site visit reports, if required

- Any follow-up and documentation related to instances of the subrecipient's non-compliance
- Subrecipient Single Audit Review
- Management Decision Letter, when applicable
- Subrecipient close out documentation

# PTE Review of Subrecipient Single Audits

- Document and be able to demonstrate the pass-through entity obtained and reviewed the subs' Single Audit reports, if required for the sub.
  - Document if a Single Audit is not required.
- Issue **Management Decision** within 6 months for any findings identified in Single Audit reports related to funds passed through.
- Document your consideration of the effects of sub noncompliance on PTE's own records.

2 CFR 200.521

UG FAQ Q.45

# Remedies for Noncompliance

- 2 CFR 200.339 allows a Federal agency or pass-through to take appropriate actions in the circumstances when a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of the award or subaward.
  - Temporarily withhold payments pending corrective action.
  - Disallow all or part of the cost of the activity or action not in compliance.
  - Wholly or partly suspend or terminate the Federal award.
  - Initiate suspension or debarment proceedings as authorized under 2 CFR part 180.
  - Withhold further Federal awards for the project or program.
  - Take other remedies that are legally available.

# FFATA Reporting

2 CFR Part 170

FFATA = Federal Funding Accountability and Transparency Act

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred to as the “Transparency Act” that are codified in 2 CFR Part 170, **direct recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).**



# Single Audit Common Findings

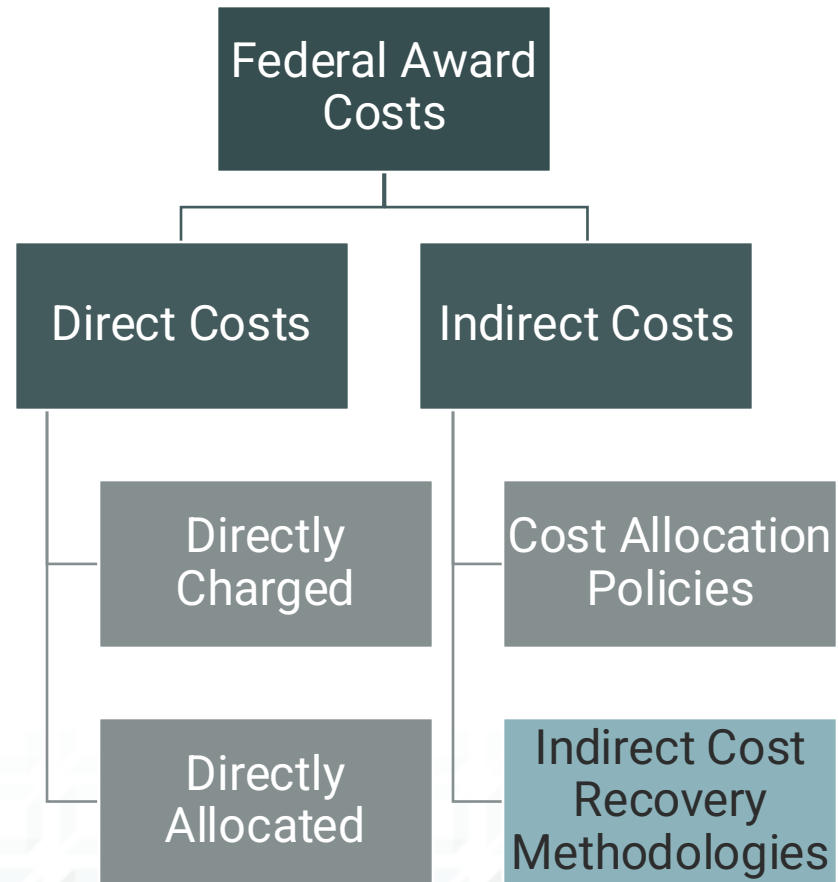
## Subrecipient Monitoring

- Subaward agreement does not have required elements including Federal program name/Assistance Listing #, reference to the UG and other “checklist” subaward required terms
- Subrecipient Risk Assessment not performed and/or documented
- Lack of documented Subrecipient Monitoring
- Level of Subrecipient Monitoring not commensurate with the related level of assessed subrecipient risk
- Pass Through Entity did not review Subrecipient’s Single Audit or document that one was not required
- FFATA reporting not performed



# UG At-A-Glance: Allowable Cost Principles

# Allowable Costs



# Standards of Documentation of Personnel Expenses

2 CFR Part  
200.430(i)

Standard	Consideration
Be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable and properly allocated	Establish adequate internal controls to ensure the standards are met
Be incorporated into the official records of the Non-Federal entity	Record retention records that comply with the UG
Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities	Activity is tracked and measured based on # of all hours worked (or other “activity”) based on the employee’s compensation
Encompass both federally-assisted and all other activities compensated by the non-Federal entity	All compensated activity is considered in the allocation
Comply with the established accounting policies of the non-Federal agency.	Entity policies exist that describe how the allocation of personnel expenses are calculated and supported

*Wait... there’s more*



# Standards of Documentation of Personnel Expenses

- 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
- **Budget estimates** (determined before the services are performed) alone **DO NOT** qualify as support for charges to Federal awards, but may be used for interim accounting purposes
  - System can reasonably approximate budget in the first place
  - Significant changes in the corresponding work activity is identified
  - Process to review after-the-fact interim charges made to the Federal award based on budget estimates. Necessary adjustments are made.
- Salaries and wages of nonexempt employee reports must include total hours worked each day.



# Payroll Example

Timekeeping – exceeding standard hours

A salaried employee generally works a standard 40-hour week with an effective hourly rate of \$10 per hour, or \$400 per week (40 hrs. x \$10/hour). Suppose that employee works 50 hrs. in any given week as follows:

DOL Grant = 40 hours

Other – non-Federal (IR&D) = 10 hours

Question 1: How many hours should be recorded on the timesheet?

Question 2: How much salary should be charged to the DOL Grant?

# Cost Principles

## Fringe Benefits (200.431)

- Fringe benefits include but are not limited to the costs of leave (vacation, family-related, sick or military), employee insurance, pensions and unemployment benefit plants.
- Allocated in a manner consistent with the pattern of benefits attributable to the employees whose salaries and wages are chargeable to such Federal awards and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

# Single Audit Common Findings

## Employee Compensation

**What the Auditor Finds:** Wages are charged to awards based on budget and not compared to actual activities and/or lack of time and effort documentation including required approvals

**How an Auditee can avoid a finding:**

- Maintain accurate tracking of actual effort of employees in all areas, including federal programmatic activity, non-federal programmatic activity, and administrative activity.
  - Most often done via time entry or timesheets.
- Use time tracking to develop level of effort rate and apply to actual salary costs disbursed.
  - Unless an employee is hourly, do not utilize an hourly rate - salaries and wages of nonexempt employee reports must include total hours worked each day.
- Maintain appropriate approvals, documentation and change management procedures over authorized salary.

# Travel Costs 200.475

- Costs for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business may be charge on an actual cost basis, per diem or mileage basis in lieu of actual costs incurred.
- Must be consistent with the non-Federal entity's written travel reimbursement policies.
- Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by the commercial airlines (i.e., coach) are unallowable except under certain conditions.

# Other Items of Cost

Item of Cost	UG Reference
Factors affecting allowability of costs	200.403
Allocable costs	200.405
Alcohol	200.423
Contributions and donations	200.434
Rental costs	200.465
And more.....	



# Single Audit Common Findings

## Non-Payroll Costs

- Lack of supporting documentation – no concept of de minimis threshold (IRS term)
- Lack of documented approval
- Allocation of costs lack a compliant model, based on budgeted (not actual) percentages and/or error in the application of calculated allocation percentages
- Expenditure charged to award not determined in accordance with GAAP (accrual basis) – for example, prepaid costs



# Objective

## Indirect Costs

# Recovering Indirect Costs

\$\$\$

Federally  
Negotiated  
Indirect Cost  
Rates

\$\$

Pass-Through  
Entity  
Negotiated  
Indirect Cost  
Rates or Other  
Negotiated  
Methodology

\$

De Minimis  
Indirect Cost  
Rate

# How It Works

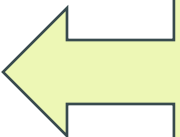
- Indirect costs are NOT reimbursed on specific identification
- Indirect cost rate is applied to the Direct Cost base
- Once the rate is negotiated, apply the lesser of the IDC rate or the IDC rate cap for your award if one exists due to statute limitations.



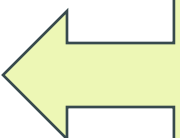
# UG Principles:

## De Minimis Indirect Cost Rate - 200.414(f)

- ~~Condition for use~~
  - ~~Available for non-federal entities never having a federally negotiated indirect cost rate~~
- 10% of Modified Total Direct Costs (MTDC)
  - MTDC defined at 2 CFR Part 200. 1
- No proof of costs required
- NFP's still not "required" to charge indirect costs.
  - ~~If elected, NFP required to utilize MTDC on all federal awards~~



UG Updates  
increase De  
Minimis rate up  
to **15%** of MTDC



UG Updates  
removes  
requirement for  
"consistent" use



# Modified Total Direct Costs Defined - 200.1

Modified Total Direct Costs =  
Total Direct Costs

Less:

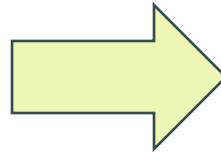
- Equipment, capital expenditures
- Charges for patient care
- Rental costs
- Tuition remission, scholarships and fellowships
- Participant support costs
- All costs in excess of the first \$25k of subawards\*

# De Minimis Rate Applied - *Example*

## Total Direct Costs

Wages and benefits	\$ 150,000
Supplies	5,000
Rent	2,000
Travel	500
Subawards*	<u>30,000</u>
Total Direct Costs	<u><u>\$ 187,500</u></u>

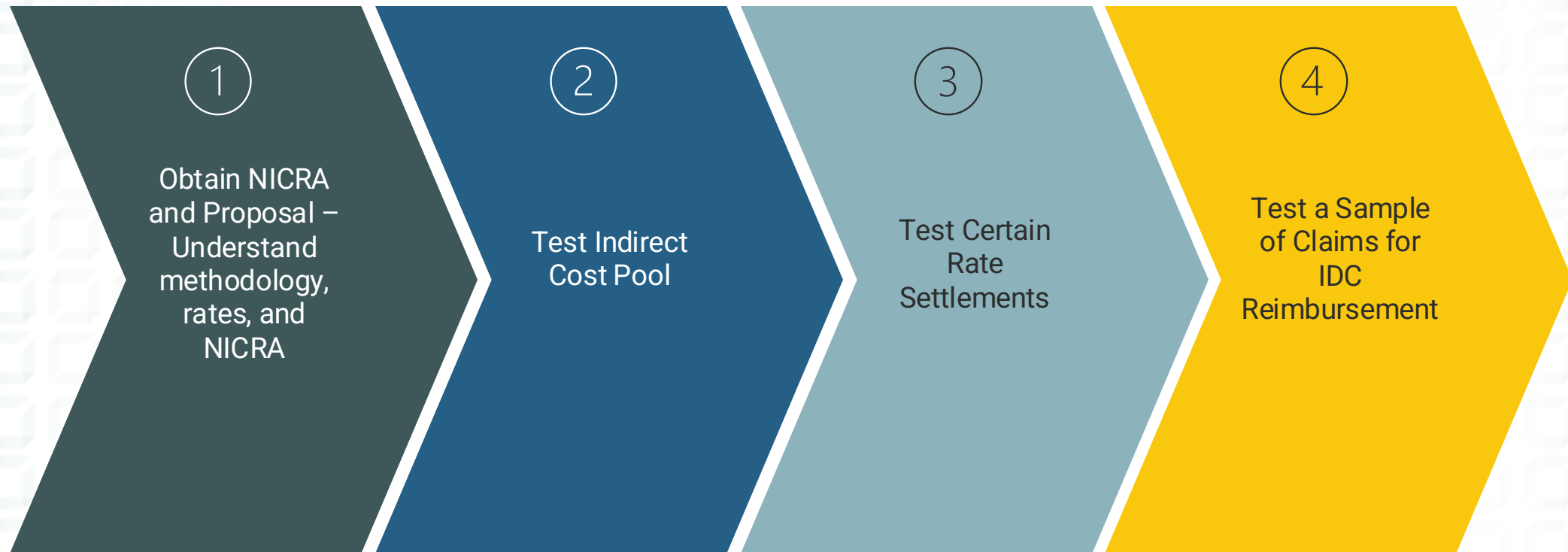
\*- One subaward entered into during the year



## De Minimis Calculation

Total Direct Costs	\$ 187,500
Less:	
Rent	(2,000)
Subward costs > \$25k	<u>(5,000)</u>
Modified Total Direct Costs	180,500
De Minimis rate	<u>10%</u>
Calculated Indirect Recovery	<u><u>\$ 18,050</u></u>

# Federally Negotiated ICR's: Suggested Audit Procedures



# Single Audit Common Findings

## Indirect Costs

### Applying the De Minimis Rate

- Errors made in determining Modified Total Direct Costs
- Applying the increased 15% De Minimis rate when not applicable to the underlying grant award

### Federal Indirect Cost Rate

- Unallowable costs charged to the Indirect Cost Pool
- Errors in applying the Federally negotiated indirect cost rate
- Expired Negotiated Indirect Cost Rate Agreement used in recovery without prior approval

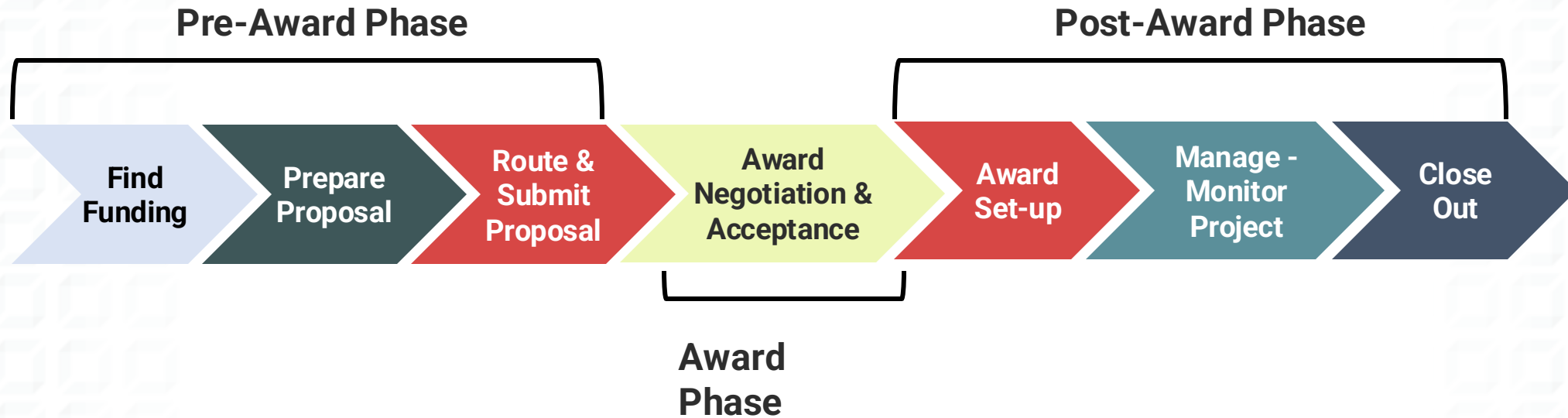


# Objective

## Monitoring & Reporting



# Internal Grant Process



# Post-Award Phase: Manage/Monitor Project

- Manage, monitor, & document:
  - Activities
  - Budgets
  - Subrecipients
  - Contractors/Vendors
- Communicate with the grant administrator
- Prepare for audits, site visits, and/or to receive technical assistance
- Review expenses to ensure that they are allocable, allowable, and reasonable

# Post-Award Phase: Manage/Monitor Project

## Meet Reporting Deadlines!

- Know your Financial & Programmatic reporting deadlines.
- Remember to attach required supporting documentation to the reports.
- Identify where and how reports should be submitted and test your log-in credentials.
- Identify where and how you perform Drawdowns.

Collaborate: If the program report contains financial figures also contained within the financial report, ensure that those figures match.

# Performance & Financial Monitoring & Reporting

## 200.328 -200.330

When do you submit reports?

- The federal agency or PTE must collect financial reports no less than annually and no more than quarterly – unless a specific condition exists.
- Annual reports are due no later than 90 calendar days after the reporting period
- Quarterly or semiannual reports are due no later than 30 days after the reporting period.
- When possible, the due dates for financial and programmatic reports should align.

What are my monitoring obligations?

- Recipients and Subrecipients are responsible for the oversight and monitoring activities to ensure alignment with the award and its objectives.

# Performance & Financial Monitoring & Reporting 200.328 -200.330

What should appear in my programmatic report?

- The report must relate financial data and project or program accomplishments to the performance goals and objectives of the Federal award.
- A comparison of accomplishments to the objectives of the Federal award established for the reporting period (for example, comparing costs to units of accomplishment). Where performance trend data and analysis would be informative to the Federal agency program, the Federal agency should include this as a performance reporting requirement.
- Explanations on why established goals or objectives were not met; and
- Additional information, analysis, and explanation of cost overruns or higher-than-expected unit costs.

**NOTE:** Reporting requirements must clearly indicate a standard against which the recipient's or subrecipient's performance can be measured.







# Objective

## Closeout Process

# Post-Award Phase: Close Out

- Are you ready for a close out or do you need a no cost extension?
- Ensure that all obligations have been met
- Return any unused funds
- Submit close out packet to the grantor
  - ☐ Final Federal Financial Report (SF-425)
  - ☐ Final Programmatic Report
  - ☐ Final Tangible Personal Property Report (SF-428B)
  - ☐ Final Real Property Status Report (SF-429B)
  - ☐ Close out letter
  - ☐ Any other requested documentation

# Closeout 200.344

- Recipients must submit all required reports within 120 days after the period of performance ends.
  - Subrecipients have a 90-day deadline to get reports to the pass-through entity.
- The federal agency may grant an extension if justified.
- During closeout, recipients and subrecipients must:
  - liquidate all financial obligations.
  - Refund any unobligated funds.
- If you are pending a final indirect cost rate, you still need to submit your final financial report on time. Once finalized, you would need to submit a revised report.

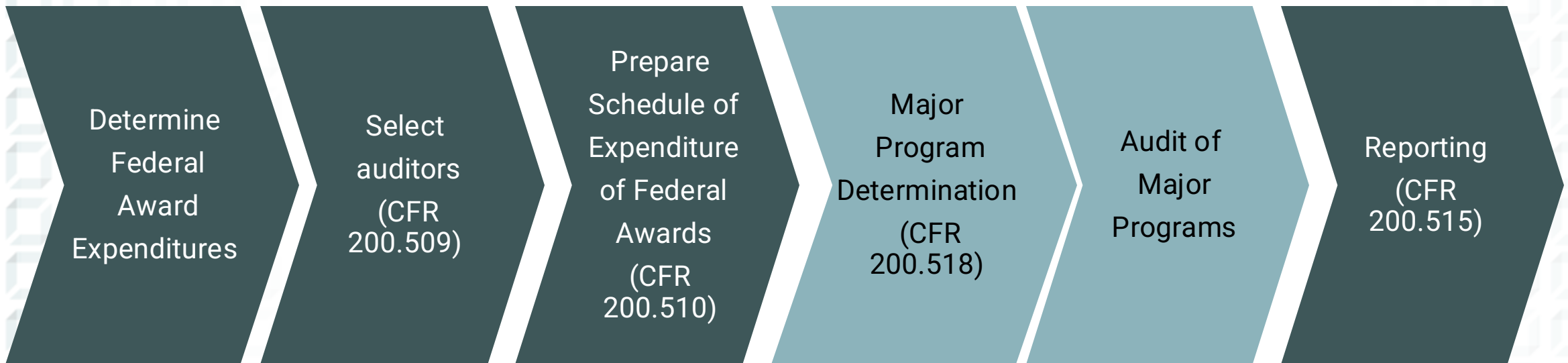
**NOTE:** Closeout does not affect the federal agency or pass –through entity from reviewing and recovering disallowed costs during the record retention period.



# Objective

## Overarching Single Audit Preparation

# Single Audit Process





# Preparing the Schedule of Expenditures of Federal Awards (§200.510)

Prepare  
Schedule  
of  
Expenditure  
of  
Federal  
Awards  
(CFR  
200.510)

- Required Contents of Schedule
  - List individual federal programs by Federal Agency, grouped by assistance listing number
    - List awards by federal agency, by assistance listing number, for cluster programs provide cluster name and programs within cluster
  - Provide total Federal awards expended for each individual Federal program, and for each Federal agency
  - For pass-through awards, name of pass-through entity and identifying award number
  - Assistance listing number and program name
  - Total amount provided to subrecipients for each program
  - Footnotes include significant accounting policies, whether the 10% de minimis indirect cost rate was elected and identification of the balance outstanding at end of audit period for loan or loan guarantees
- COVID-19 funding should be separately identified
- It's critically important to the Single Audit that the schedule is complete and accurate as it will be the basis for determining which programs will be selected for audit.

# Preparing the Schedule of Expenditures of Federal Awards (§200.510)

Prepare  
Schedule  
of  
Expenditure  
of  
Federal  
Awards  
(CFR  
200.510)

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>Department of Housing and Urban Development:</b>				
Supportive Housing for the Elderly (Section 202 Loan)	14.157	*	\$ -	\$ 462,131
CDBG - Entitlement Grants Cluster				
Passed through Snohomish County-				
Community Development Block Grants/Entitlement Grants	14.218	* CDBG-A 2019 #01		550,000
Community Development Block Grants/Entitlement Grants	14.218	* 45520496340		215,000
Passed through City of Bellevue-				
Community Development Block Grants/Entitlement Grants	14.218	* Not available		100,000
Total CDBG - Entitlement Grants Cluster/ ALN #14.218				865,000
Passed through King County-				
HOME Investment Partnerships Program	14.239	* 4578100414		300,000
Passed through State of Washington-				
HOME Investment Partnerships Program	14.239	* 01-40002-000		687,593
Total ALN #14.239				987,593
<b>Total Department of Housing and Urban Development</b>				<b>2,314,724</b>
<b>United States Department of Health and Human Services:</b>				
Administration for Children and Families-				
Unaccompanied Alien Children Program	93.676	9ZSD5001	1,000,000	2,146,500
<b>Total United States Department of Health and Human Services</b>			<b>1,000,000</b>	<b>2,146,500</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,000,000</b>	<b>\$ 4,461,224</b>

\* Denotes an outstanding loan.



# Major Program Determination (§200.518)

Major  
Program  
Determination  
(CFR  
200.518)

- Completed by auditor
- Follows a prescribed risk-based approach
- A minimum number of major programs are determined based upon program risk conclusions and certain percentage of coverage thresholds

# Audit of Major Programs

Audit of  
Major  
Programs

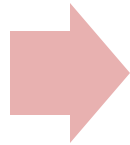
## Auditee Responsibility:

- Provide auditor with access to personnel, accounts, books, records, supporting documentation, and other information needed (CFR 200.508)

## Auditor Process:

### Understand Program

- Obtain grant agreements
- Inquiries of program staff
- Read program description from the Federal Agency
- Identify the applicable compliance requirements



### Obtain Program Activity

- Obtain GL detail
- Obtain detail of eligible populations
- Obtain access to subrecipient monitoring reports
- Obtain access to financial and program reports submitted



### Test and Conclude on Activity

- Select samples and test transactions
- Select samples and test eligibility
- Test various financial and program reports

# Audit of Major Programs

## Audit of Major Programs

### Key Considerations For a Successful Audit:

- Prepare a summary sheet for each award with all pertinent information (award period, amount, matching provisions and any special terms and provisions) for your program and accounting staff
- Use accounting software to separately track all revenues and expenses of each award.
- Auditors are required to test internal controls over compliance. Be ready to have your compliance controls documented and ensure they are effective throughout year.
- Sampling of transactions is a common single audit approach. Prepare early so that all documentation can be gathered and be available when the audit begins.
- Ensure that all relevant policies are documented and available
  - Many transactions are only allowable if under written policies (especially compensation)
  - Single audit will test that your entity's policies meet compliance requirements and then test transactions against your policy (procurement, subrecipient monitoring)
- Retain documentation throughout the year supporting any judgments on why a cost was reasonable, allocable, allowable and necessary



# Audit of Major Programs

## Audit of Major Programs

### Key Considerations For a Successful Audit, Continued:

- There are many steps in a single audit so keep coordinated on due dates and project management both internally and with your auditor.
- Reach out to your auditor with questions throughout the year
- Keep program and accounting staff educated on Uniform Guidance compliance

### Resources:

- Uniform Guidance
- OMB Compliance Supplement (*next slides*)
- [sam.gov](https://www.sam.gov) provides additional information on federal programs

# OMB Compliance Supplement – What is it?

Audit of  
Major  
Programs

- Issued by the federal Office of Management and Budget (OMB)
- Principal tool for auditors to understand federal program objectives, procedures, and compliance requirements
- Identifies the important compliance requirements the federal government expects to be considered as part of a Single Audit
- Updated annually
- Where can I find it?

<https://www.whitehouse.gov/omb/office-federal-financial-management/>

# OMB Compliance Supplement – Table of Contents

Audit of  
Major  
Programs

- Part 1: Background, Purpose and Applicability
- Part 2: Matrix of Compliance Requirements
- Part 3: Compliance Requirements
- Part 4: Agency Program Requirements
- Part 5: Clusters of Programs
- Part 6: Internal Control
- Part 7: Guidance for Auditing Programs Not Included In the Compliance Supplement
- Part 8: Appendices

# OMB Compliance Supplement - Appendices

Audit of  
Major  
Programs

- Appendix I: Federal Programs Excluded from the A-102 Common Rule and Portions of Part 200
- Appendix II: Federal Agency Codification of Governmentwide Requirements and Guidance for Grants and Cooperative Agreements
- Appendix III: Federal Agency Single Audit and Program Contacts
- **Appendix IV: Internal Reference Tables**
- **Appendix V: List of Changes for the [Current Year] Compliance Supplement**
- Appendix VI: Program-Specific Audit Guides
- **Appendix VII: Other Audit Advisories**
- Appendix VIII: SSAE 16 Examinations of EBT Service Organizations
- Appendix IX: Compliance Supplement Core Team



# Reporting

Reporting  
(CFR  
200.515)

## Auditor Responsibility

- Opinion on the financial statements
- A report on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements
- Report on compliance for each major program and a report on internal control over compliance
- A schedule of findings and questioned costs
- Certification of Data Collection Form

## Auditee Responsibility

- Financial statements and Schedule of Expenditures of Federal Awards
- Summary schedule of prior audit findings
- Corrective action plan for findings (if applicable)
- Submission and Certification of Data Collection Form



# Schedule of Findings and Questioned Costs

Reporting  
(CFR  
200.515)

## Reports summary of the audit results

- Audit opinions
- Reportable internal control deficiencies
- Whether the audit disclosed any audit findings
- Identification of major programs
- Threshold for “Type A” programs
- Whether the auditee is a low-risk auditee



# Objective

## Implications of Single Audit Findings

# Reporting a Finding? (§200.516)

Reporting  
(CFR  
200.515)

## What is a finding?

- Significant deficiencies and material weaknesses in internal control over major programs
- Material noncompliance with laws and regulations or terms and conditions of awards related to major program
- Known or likely questioned costs >\$25k
- Circumstances for auditor's report being other than unmodified
- Known or likely fraud involving a federal award, unless otherwise reported
- Misreporting status of prior-year findings in summary schedule

## Types of findings:

	Single Audit Finding		Financial Statement Finding
Type of Finding	Internal Controls over Compliance	Compliance with Federal regulations	Internal Controls Over Financial Reporting
Significant Deficiency			
Material Weakness			

# Reporting a Finding? (§200.516)

Reporting  
(CFR  
200.515)

## What is reported?

- Identification data – federal program award identification (Assistance listing number and program title), award number and year, name of federal agency, and name of pass-through entity if applicable
- Criteria – What should we have seen?
- Condition – What facts did we see?
- Cause – Reasons responsible for difference between the criteria and condition
- Questioned costs and how computed – Known
- Effect or potential effect– What is the result of what we saw?
- Information for perspective – Isolated or systemic problem?
- Identify if a repeat finding
- Recommendation – How to prevent in the future
- Views of responsible officials – auditee response and corrective action plan
- Finding reference number

# What if I Have a Finding?

Reporting  
(CFR  
200.515)

- Discuss the facts and any mitigating circumstances with your auditor
- Review the written finding
- Prepare your response and corrective action plan
- May have to repay some costs
- Can affect the amount of audit testing in future years
- Appeals process with the Federal Agency is available
- May impact future funders' risk assessment of your organization and your NFP and may receive reduced future discretionary Federal awards.
- Federal Agencies can also impose more restrictive reporting or other requirements.



# Audit Findings and Follow Up (§200.511)

Reporting  
(CFR  
200.515)

- Prepare a corrective action plan for current year findings
  - Reference auditor assigned reference numbers
  - Name(s) of the contact person(s) responsible for the corrective action
  - Corrective action planned
  - Anticipated completion date
- If Auditee does not agree with findings or believes a corrective action plan is not required, then the auditee response to the finding must include an explanation and reasons for that determination.

# Audit Findings and Follow Up (§200.511)

Reporting  
(CFR  
200.515)

## Prepare a summary schedule of prior audit findings

- Reference auditor assigned reference numbers
- Include the fiscal year the finding initially occurred
- Finding corrected
  - Only list the audit finding and state corrective action was completed
- Finding not corrected
  - Describe the reason for recurrence and planned corrective action
  - Statement that the finding is no longer valid or warrants further action. This is valid when ALL the following have occurred
    - Two years have passed since report containing the finding was submitted to FAC
    - Federal agency is not currently following up about the finding
    - A management decision was not issued

# Data Collection Form

Reporting  
(CFR  
200.515)

- Data Collection Form is a reporting package that includes following:
  - Financial statements and SEFA
  - Summary schedule of prior audit findings
  - Auditor's report(s)
  - Corrective Action Plan
  - Data Collection Form (Auditee responsibility)
    - Auditee certified
    - Auditor certified
    - Submitted by the earlier of
      - 30 calendar days after issuance of auditor's report
      - 9-months after end of the audit period
- Is uploaded to Federal Audit Clearinghouse and is publicly available - <https://facweb.census.gov/>.
- Requirements associated with reporting can be found at - Report Submission (§200.512)

# Clark Nuber PS



## Fire Adapted Communities Learning Network



## Community Navigators Project



# Thank You

# Clark Nuber<sup>PS</sup>

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