

Got federal funding?

Navigating your federal audit

Washington Public Ports Association
June 7, 2023

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Statewide Program Manager for Ports and IDCs

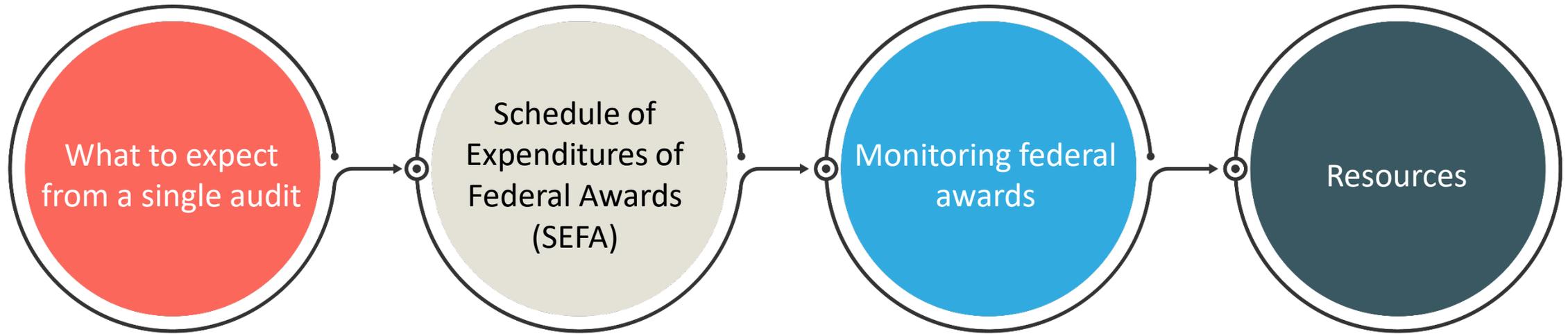




Federal awards have strings attached

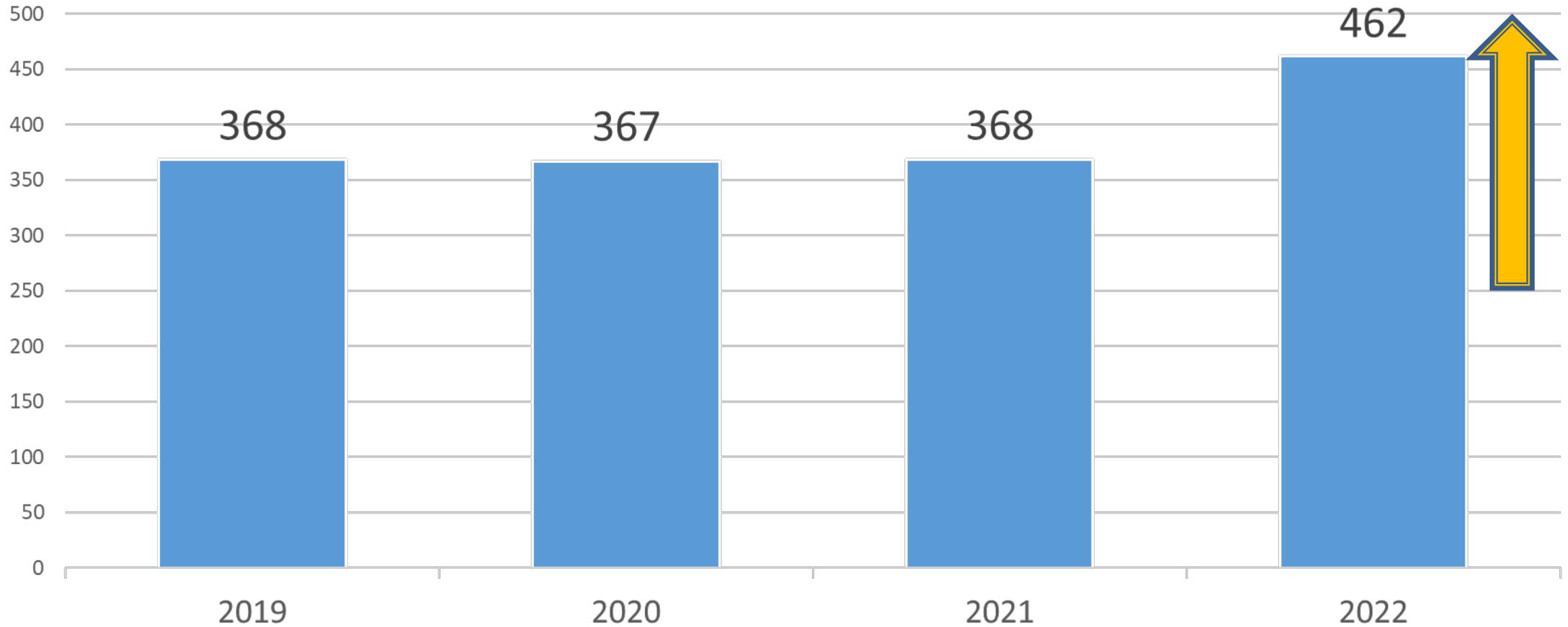


Agenda



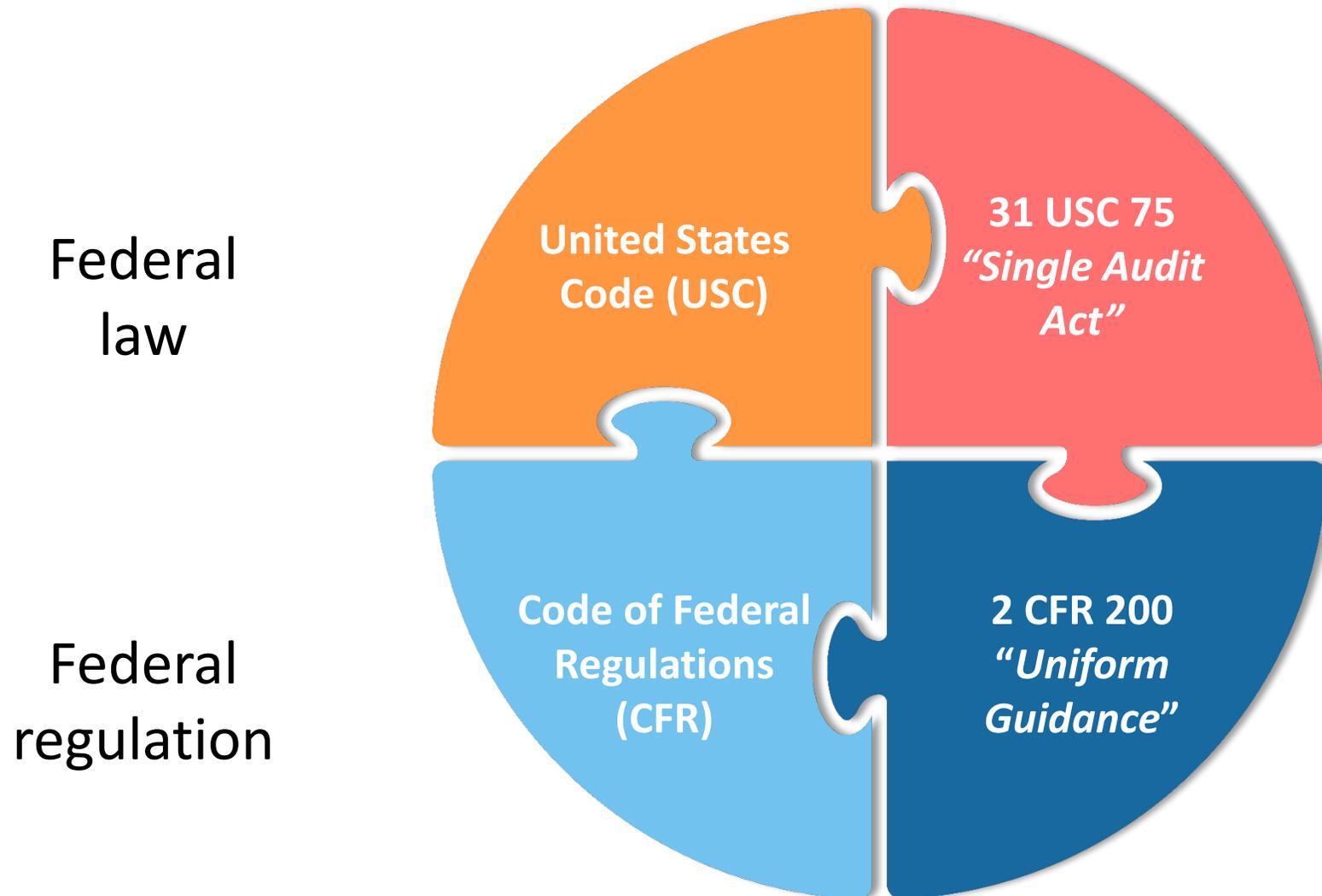


Number of single audits issued each year





Why is it called a “single audit”?





When is a single audit required?

\$750,000 or more in federal expenditures in one fiscal year = **single audit**

2 CFR § 200.518





What's in the audit?

Financial statements

- Must be included
- Opinion on fair presentation
- Schedule of Expenditures of Federal Awards (SEFA)

Federal programs

- Test internal controls – effective?
- Opinion on compliance





Auditee responsibilities

- Coordinate with SAO on scheduling the audit
- Prepare financial statements, SEFA & SEFA notes





Auditee responsibilities (cont.)



Compliance



Internal control
over federal
program(s)



Documentation
of control and
compliance



Respond to
findings



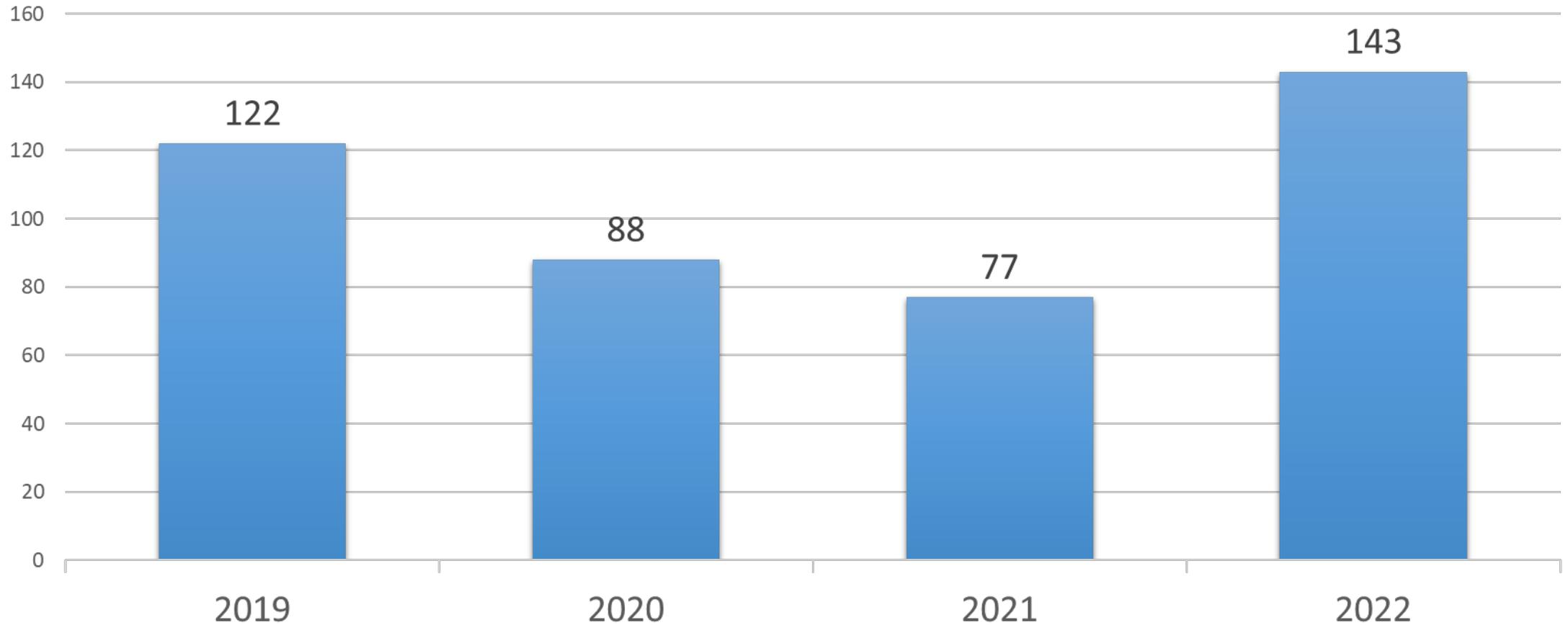
Complete
Corrective
Action Plan
(CAP)



Submit audit
to Federal
Audit
Clearinghouse

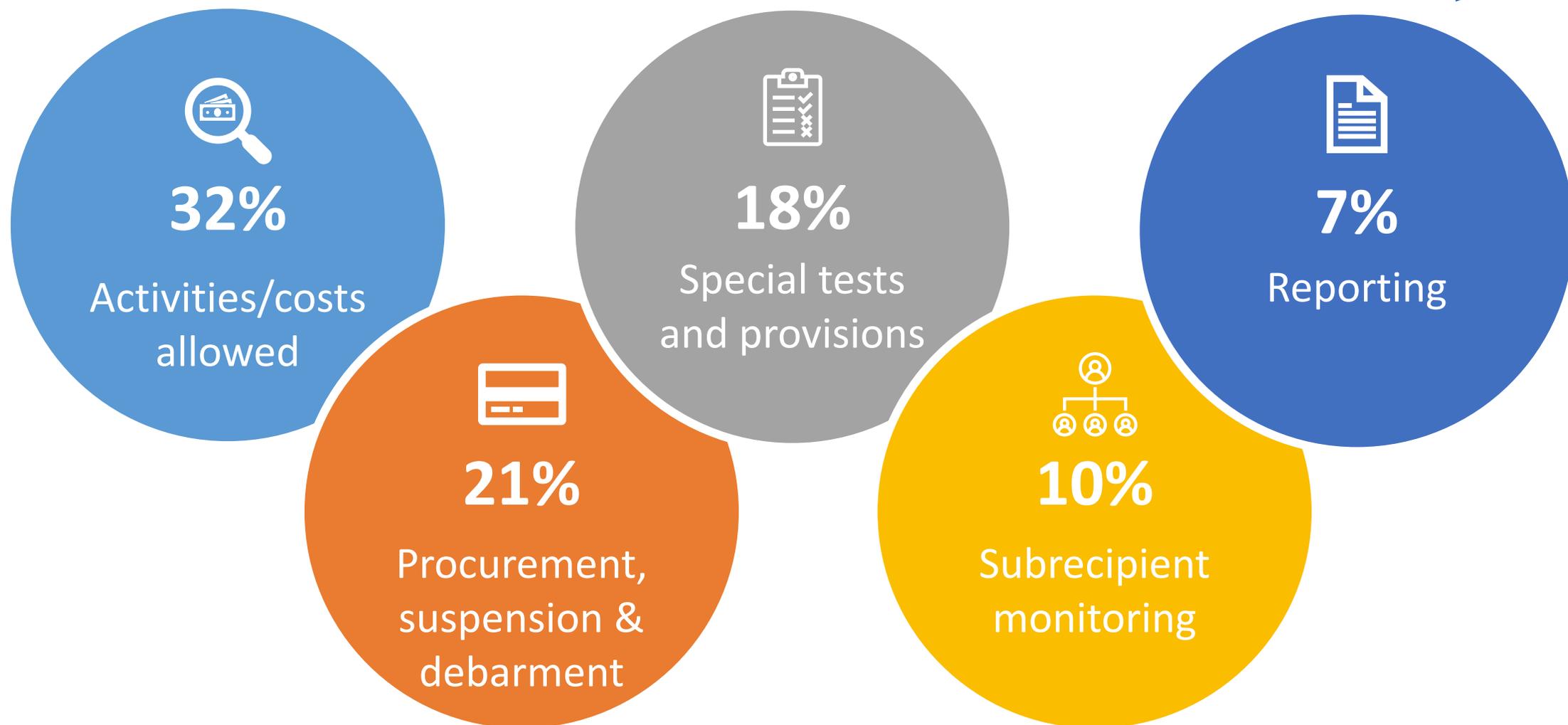


Number of single audit findings each year





Most frequent single audit findings





Audit deadline

Submit to Federal Audit Clearinghouse by **earlier** of:

- a) **9 months after end of fiscal year**
 - b) 30 days after issuance of auditor's report
- Designate someone to certify Data Collection Form (DCF)
 - No extensions unless Office of Management and Budget (OMB) approves them

What if you file late?

- If you're late:
 - Won't **qualify as a low-risk** auditee
 - Possible increase in audit coverage
- What if you don't file at all?





Schedule of Expenditures of Federal Awards (SEFA)





The SEFA tells SAO if you need a single audit

- Required by Uniform Guidance (2 CFR § 200.510)
- All local governments prepare Schedule 16 with annual filing
- BARS Manual has detailed instructions
- Supplemental schedule to financial statements
- Same basis of accounting as financial statements
- Based on expenditures, **not** revenues or reimbursements



SEFA (Schedule 16) example

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021								
Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	17-62210-041	122,564	-	122,564	122,564	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Emergency Solutions Grant Program	14.231	20-4613C-129	1,230,073	-	1,230,073	131,014	5, 3



What's a federal award?

- Direct costs (award expenditures)
- Indirect costs
- Federal awards disbursed to subrecipients
- Use of loan proceeds
- Noncash assistance (food commodities)
- Receipt of federal property (equipment and supplies)
- Interest subsidies
- Value of federal insurance



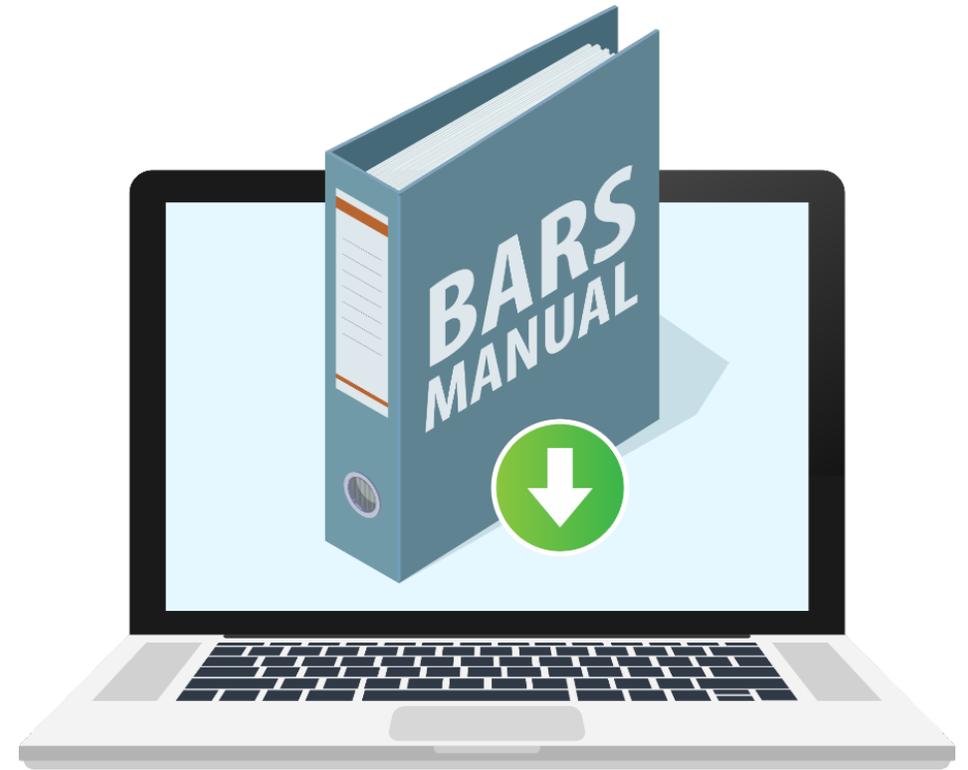
How do you identify federal awards?

- Review agreement
- Pass-through entities required to notify (2 CFR § 200.332):
 - Assistance Listing Number (ALN) – formerly CFDA
 - Awarding agency, award IDs, Federal Award Identification Number (FAIN)
 - Amount, start and end dates
 - Compliance requirements
 - Single audit requirement
- When in doubt, contact your awarding agency



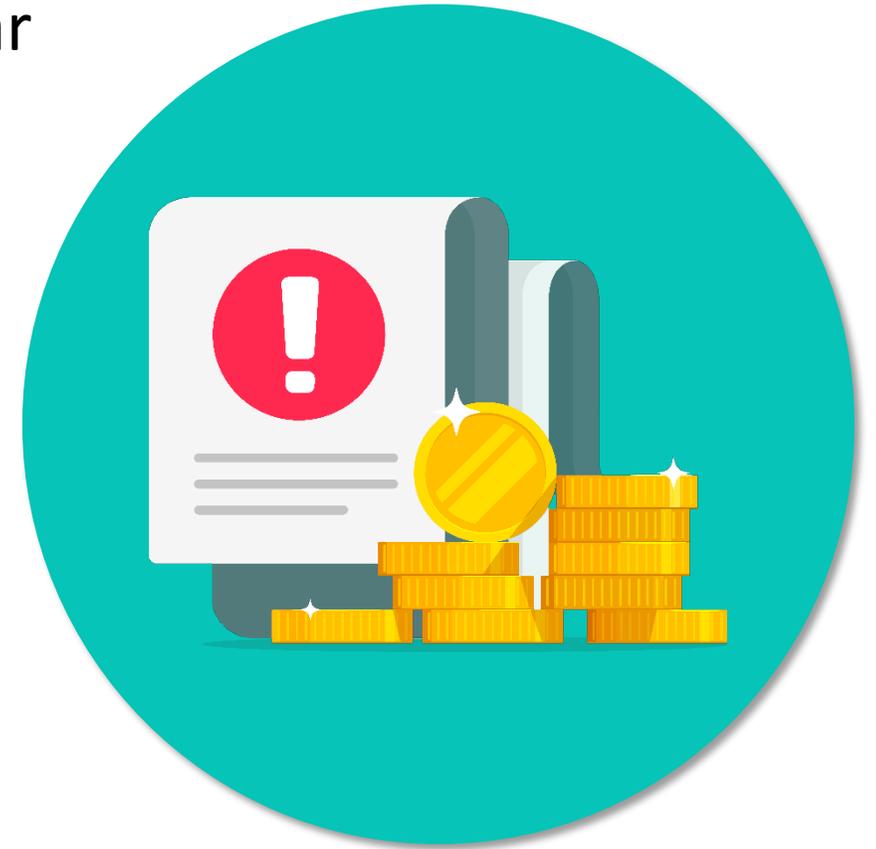
How do you know your SEFA is right?

- Follow BARS Manual instructions
- Know your awards
- Check other departments' information
- Reconcile amounts to support
- Review process



SEFA errors

- Proper period/year – reported in wrong year
- Forget to report non-cash awards
- Forget to report program income
- Forget to report loans
- Reporting subawards incorrectly
- State funding should not be reported





Monitoring Federal Awards





Internal controls are required

- Understand your internal controls
- SAO's Segregation of Duties guide is a place to start
- Consider the Green Book or COSO
- Assess risk so you can respond to it

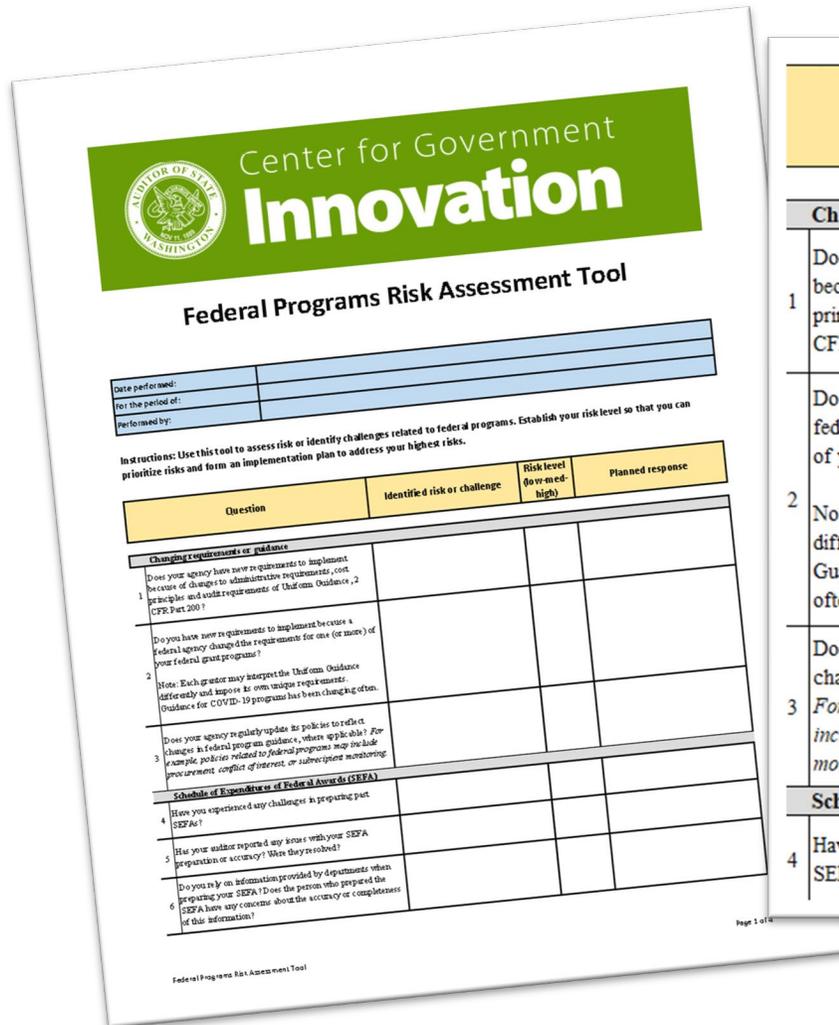


OR





Risk assessment tool



Question	Identified risk or challenge	Risk level (low-med-high)	Planned response
Changing requirements or guidance			
1 Does your agency have new requirements to implement because of changes to administrative requirements, cost principles and audit requirements of Uniform Guidance, 2 CFR Part 200?			
2 Do you have new requirements to implement because a federal agency changed the requirements for one (or more) of your federal grant programs? Note: Each grantor may interpret the Uniform Guidance differently and impose its own unique requirements. Guidance for COVID-19 programs has been changing often.			
3 Does your agency regularly update its policies to reflect changes in federal program guidance, where applicable? For example, policies related to federal programs may include procurement, conflict of interest, or subrecipient monitoring.			
Schedule of Expenditures of Federal Awards (SEFA)			
4 Have you experienced any challenges in preparing past SEFAs?			
5 Has your auditor reports any issues with your SEFA preparation or accuracy? Were they resolved?			
6 Do you rely on information provided by departments when preparing your SEFA? Does the person who prepared the SEFA have any concerns about the accuracy or completeness of this information?			

Monitoring



Manage federal programs to:

- Ensure compliance
- Confirm internal controls are in place and working
- Mitigate any issues
- Make sure you can demonstrate the above

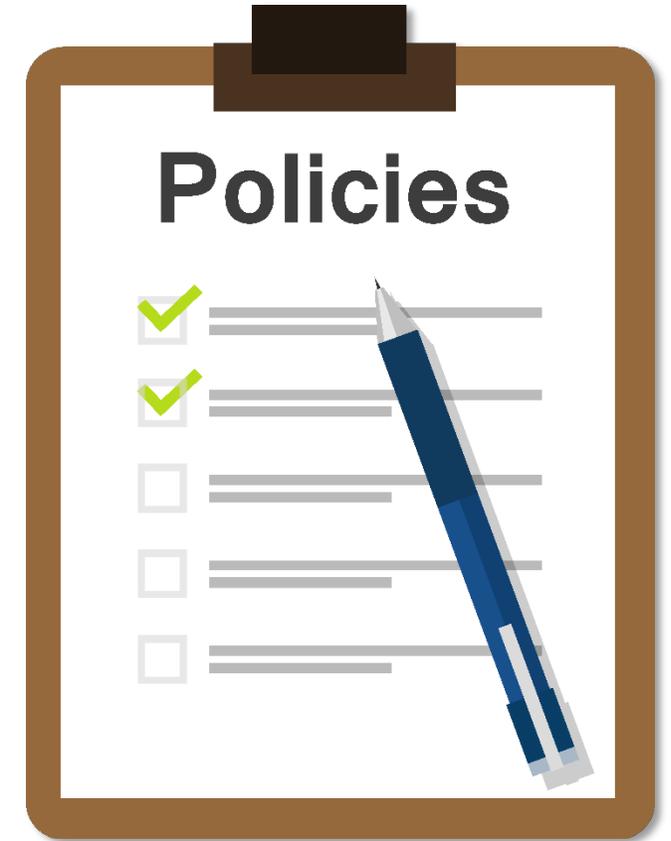




Implement a federal award policy

Formal approval process before you accept (or renew) an award

- Weigh benefits and costs
- Understand terms and conditions
- Determine if it aligns with strategic priorities
- Make sure everyone knows about it





Separately identify awards

- Track activity for each award
 - Need to account separately to control and report separately
 - Separate coding in accounting system is best
- This will help with:
 - Reports to grantor (reimbursement requests)
 - SEFA preparation



Identify a manager for each federal program

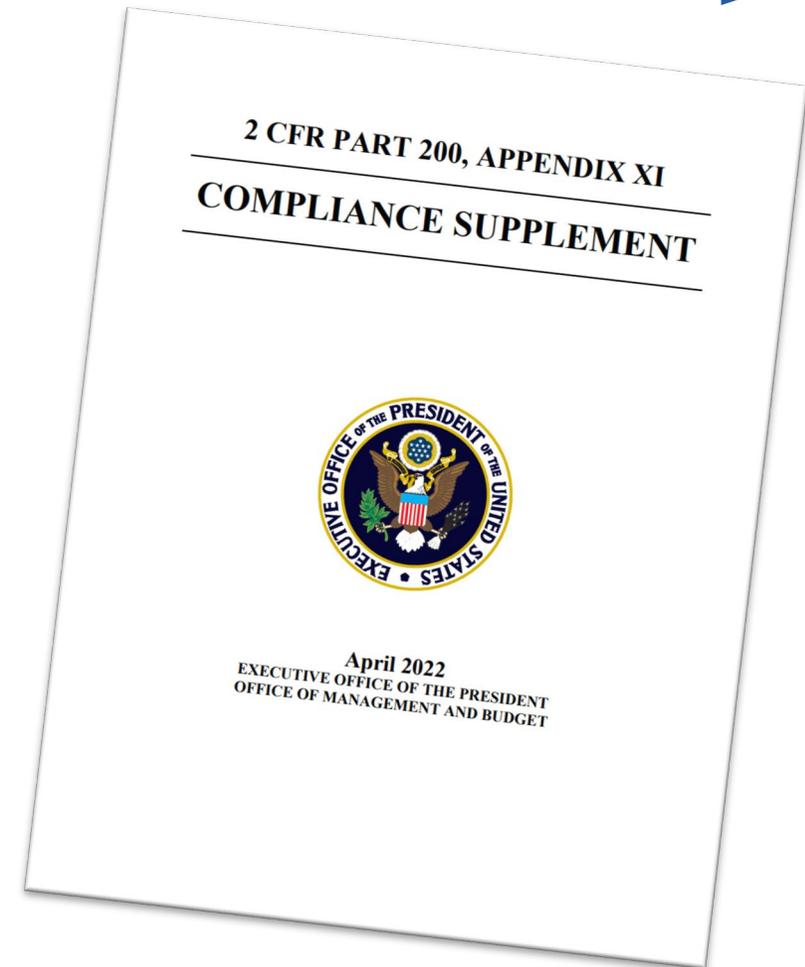
- Each award/contract has someone managing it
- Aware of requirements and monitors for changes



Responsibilities for managing each federal program



- Review award agreement and program guidance
- General guidance – UG & OMB Compliance Supplement
 - Compliance Supplement ([2022 Compliance Supplement \(whitehouse.gov\)](#))





Part 4 of the Compliance Supplement

April 2022

Highway Planning and Construction Cluster

DOT

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



Part 6 of the Compliance Supplement

PART 6 – APPENDIX 2

Illustrative Specific Controls – Control Activities (excerpted from Greenbook).

Principle 10. Design Control Activities: management should design control activities to achieve objectives and respond to risks.

A. ACTIVITIES ALLOWED OR UNALLOWED B. ALLOWABLE COSTS/COST PRINCIPLES	C. CASH MANAGEMENT	E. ELIGIBILITY	F. EQUIPMENT AND REAL PROPERTY MANAGEMENT
<p>Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as miscoding, inappropriate cost transfers, budget overages, segregation of duties concerns, unauthorized changes to system configurations, fraud, unauthorized payments, etc.</p>	<p>Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as time lapses between funds transfer and disbursement, fraud, liquidity pressures, inherent risks with subrecipients, etc.</p>	<p>Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process, such as providing benefits to ineligible individuals, calculating amounts to be received for or on behalf of individuals incorrectly, unauthorized changes to system configurations, fraud, unauthorized payments, etc.</p>	<p>Management identifies and puts into effect actions needed to carry out specific responses to risks identified in the risk assessment process for equipment and real property, such as inaccurate or incomplete recordkeeping, inappropriate use, unidentified dispositions, segregation of duties concerns, fraud, loss, damage, theft, etc.</p>
<p>Management reviews applicable award agreements or contracts for specific allowable activities requirements, budget parameters, indirect rates, fringe benefit rates, and those activities/costs that require pre-approval by the awarding agency and documents such features into a grant approval form which is submitted to accounting personnel for review and approval before being input into the system as the profile for the grant.</p>	<p>Management reviews applicable award agreements or contracts to determine applicability of drawdown method (advance or reimbursement) to develop its own control activities and to inform its establishment of a method for subrecipients, as applicable.</p>	<p>Management reviews applicable award agreements or contracts and identifies specific eligibility requirements including benefits to be paid.</p>	<p>Management reviews applicable award agreements or contracts and identifies specific equipment and real property requirements.</p>

Plan for ongoing technical training for staff

Annual training will help ensure:

- Program managers have what they need to manage their programs
- Your risk is reduced for future audit issues



Establish an approval process

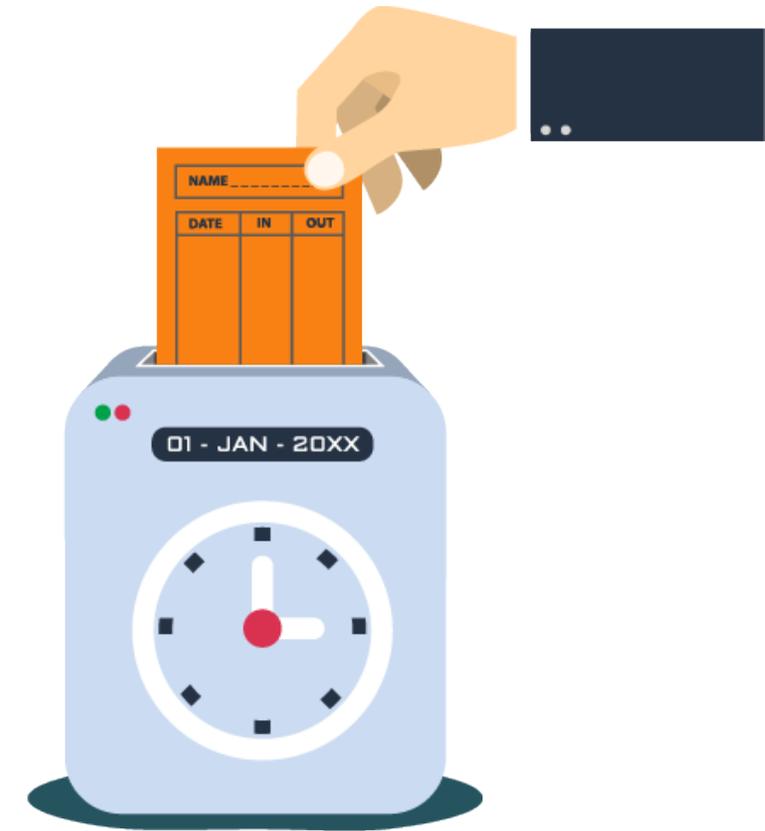
- Special rules:
 - Allowable activities
 - Allowable costs
 - Allocated or indirect costs
- Who approves expenses?
- Only allow knowledgeable persons to approve expenditures of federal awards





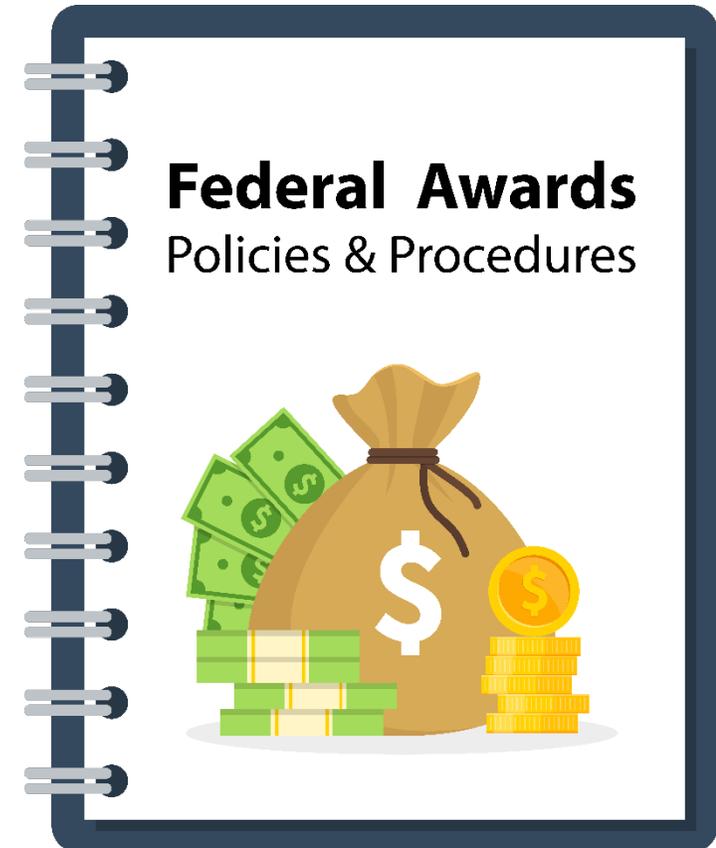
Set up your timekeeping

- Special rules:
 - Allowable payroll and benefit costs
 - What payroll can be allocated to federal programs
 - Documentation (“time and effort”)
- Make sure timekeeping system supports allocation of costs to federal awards

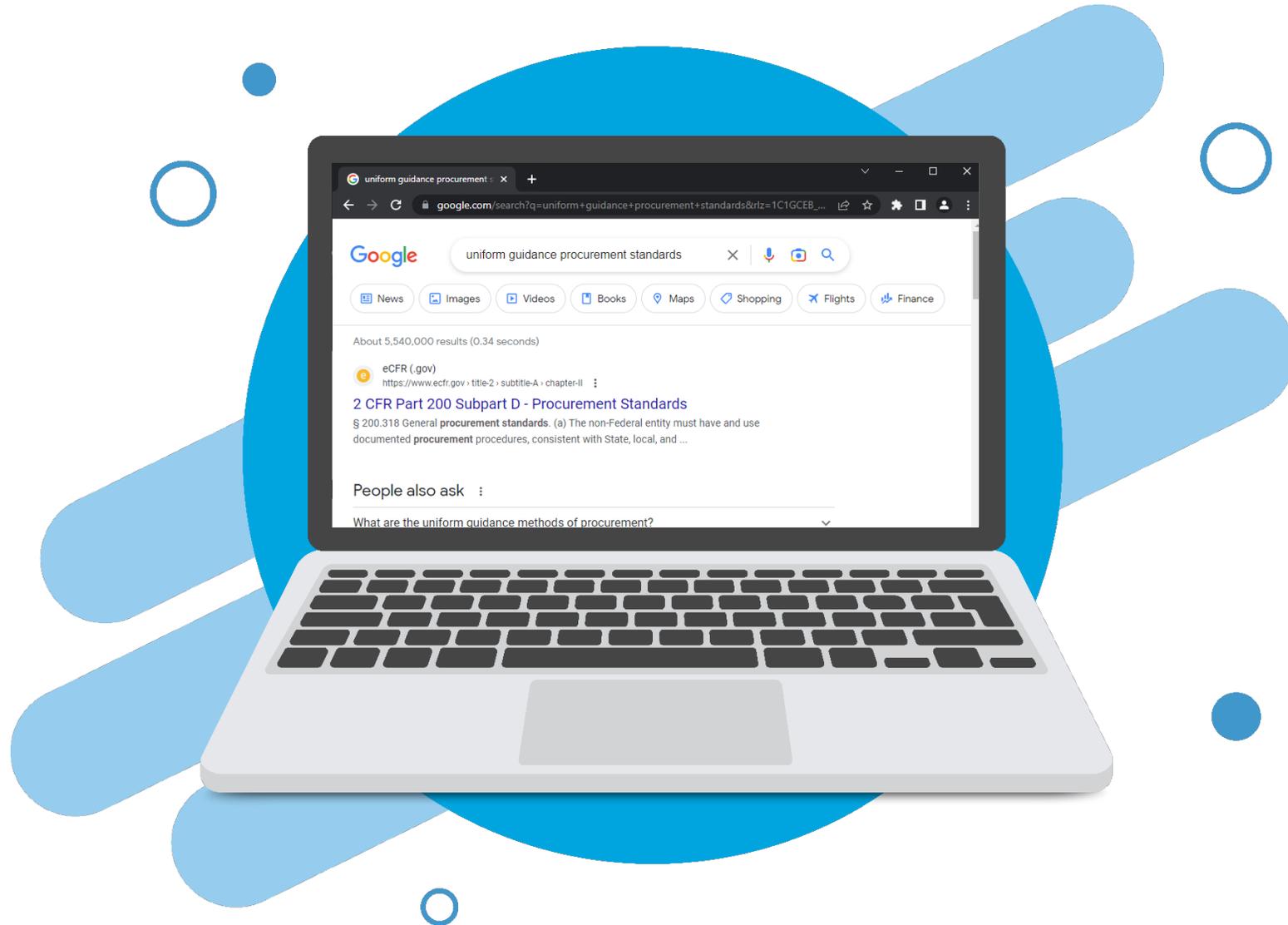


Written procedures

- Special rules:
 - Written policies required for some areas
- Required:
 - Cash draws (2 CFR § 200.305)
 - Procurement (2 CFR § 200.318–327)
 - Compensation (2 CFR § 200.430–431)
 - Travel costs (2 CFR § 200.475)



Required procedures: Procurement





Additional resources





Do you want more federal award training?

- Provided by SAO twice a year through WFOA, [Non-Conference Education | Washington Finance Officers Association \(wfoa.org\)](#)
- Contact your federal grantor or state agency (pass-through agency) about training opportunities



Additional GFOA Best Practices

- [Grants Administration \(gfoa.org\)](http://gfoa.org)
- [Internal Control for Grants \(gfoa.org\)](http://gfoa.org)
- [SEFA Preparation \(gfoa.org\)](http://gfoa.org)



Government Finance
Officers Association



AICPA single audit resources

- SEFA Practice Aid [Worksheet for Identifying Federal Program Information \(aicpa.org\)](#)
- On-demand webcast: “[Preparing for Your First Single Audit](#)” from the AICPIA Government Audit Quality Center
- AICPA GAQC tool [Tips for Organizations Subject to Single Audit Requirements](#)
- Auditee [checklist](#) on getting ready for a single audit

SAO Resources



SAO Resources



Center for Government Innovation

Checklist for Preparing and Reviewing Cash Basis Financial Statements

Date of Review:			
Completed by:			
Key recommendations:			

Instructions: Use this checklist to help prepare and review financial statements prepared in accordance with the Budgeting, Accounting and Reporting System (BARS) Cash Basis Manual. Complete this optional checklist before filing your annual report with our Office.

Question	Yes	No	N/A	Comments
General ledger reconciliation				
1. Does your government have a process in place to ensure that all journal entries are completed, supported and reviewed by someone other than the preparer?				
2. Did someone verify that the general ledger reflects all of your government's cash and related activity? For example, if the court has a separate bank account, does the cash and related activity should be included in the general ledger and the financial statements.				



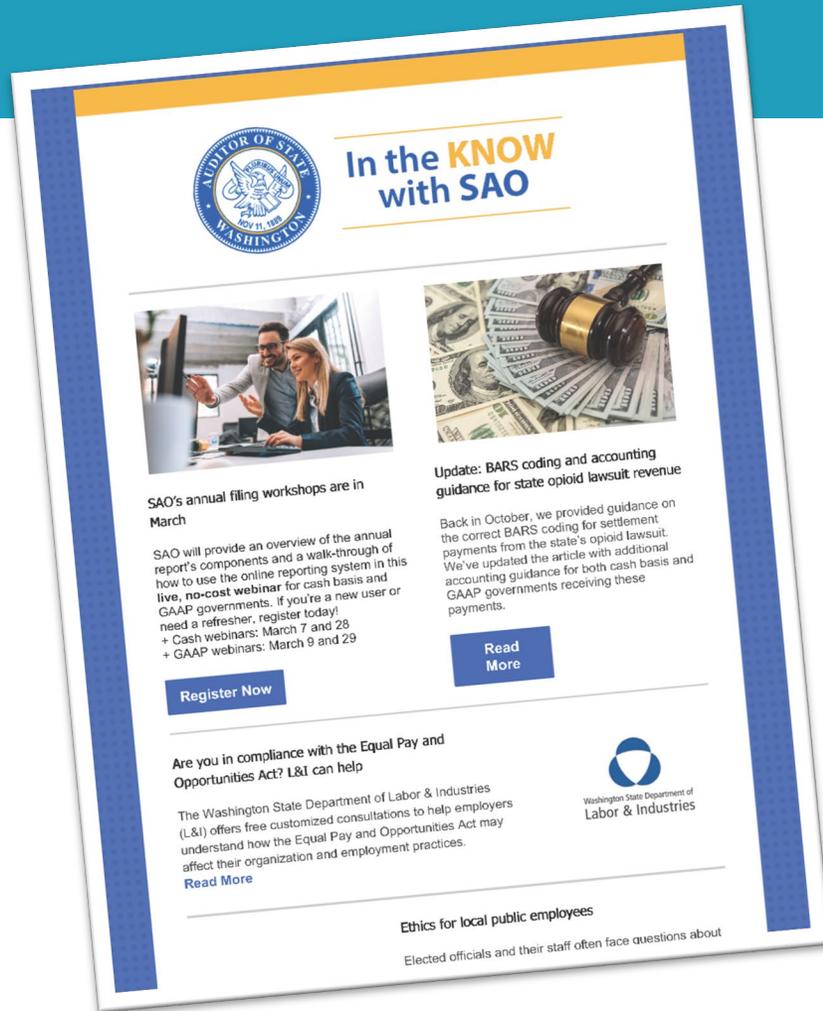
Segregation of Duties

Essential Internal Controls

Why it matters
How to get started
Helpful hints for small governments
Plus, self-assessments and checklists

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Questions



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