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FEDERAL GRANTS MANAGEMENT UPDATE



August 2023

Today's instructor

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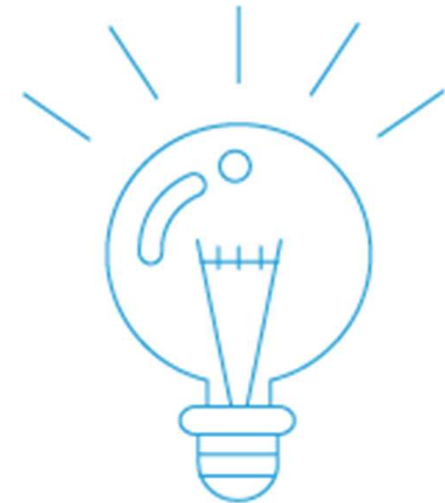
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Objectives

By the end of this presentation, participants will be able to:

- Discuss current developments in grants management
- Describe key changes affecting Uniform Guidance audits contained in the 2023 Compliance Supplement
- Distinguish the most common areas of federal award noncompliance as cited by auditors



Agenda

Today's topics

- Introduction/setting the stage (5 minutes)
- 2023 OMB Compliance Supplement (20 minutes)
- Federal Audit Clearinghouse changes/developments (7 minutes)
- Schedule of expenditures of federal awards (25 minutes)
- Other current developments impacting grants management (10 minutes)
- Common findings under compliance audits (15 minutes)
- Q&A (8 minutes)

Introduction

- RSM has offered this program for the past 18 years
- Many of our clients (and future clients) administer federal awards under Uniform Guidance (2 CFR 200 or “UG”)
- The goal of this program is to keep our clients informed of changes of requirements under UG and the latest developments in the world of federal grants management
- The webcast is not designed to cover all the requirements of which you should be aware. Participants looking for a “101” overview of grants management should seek additional educational resources as needed
- Enjoy!

Cheat Sheet

- 2 CFR 200 – Uniform Guidance ([Link](#))
- OMB Compliance Supplement
 - 2022 ([Link](#))
 - 2023 ([Link](#))
- Federal Green Book ([Link](#))
- COSO – 2013 Model ([Link](#))
- 2018 Revision of *Government Auditing Standards* ([Link](#))

2023 COMPLIANCE SUPPLEMENT

2023 Compliance Supplement

- May 2023 OMB Compliance Supplement was released on May 22, 2023
- Part of the UG at Appendix XI
- Effective for UG audits for fiscal years beginning after June 30, 2022 (i.e. FYE 6/30/23 – 5/31/24)
 - Be careful with fiscal year changes for short periods beginning after June 30, 2022 but ending prior to June 30, 2023
- Major changes
 - Changes listed in Appendix V
 - “Pick 6” approach to applicable compliance retained from earlier Supplements (if program is listed in Part 2)
 - BABA Act requirement to Procurement, Suspension and Debarment
 - Higher Risk Programs updated – Appendix IV
 - Federal Audit Clearinghouse updates/developments
 - Other audit advisories Appendix VII

2023 Compliance Supplement – “Pick 6”

- UG has up to 12 compliance requirements that may apply to a major program
 - Activities allowed or unallowed (Code = A)
 - Allowable costs/cost principles (Code = B)
 - Cash management (Code = C)
 - Eligibility (Code = E)
 - Equipment/Real property management (Code = F)
 - Matching, level of effort, earmarking (Code = G)
 - Period of performance (Code = H)
 - Procurement/Suspension and debarment (Code = I)
 - Program income (Code = J)
 - Reporting (Code = L)
 - Subrecipient monitoring (Code = M)
 - Special test and provisions (Code = N)

2023 Compliance Supplement – Part 2 Matrix

- Changes to the “Matrix” denoting the applicable compliance requirements are highlighted in Yellow

Requirement	A	B	C	E	F	G	H	I	J	L	M	N
Program Number	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
20.218/20.237 (FMCSA-Cluster)	Y	Y	N	N	Y	Y	Y	N	Y	Y	N	N
20.219 (Decoupled)	Y	Y	N	N	Y	Y	N	Y	N	N	Y	Y
20.223	Y	Y	N	N	N	N	Y	N	N	N	N	Y
20.224 (Decoupled)	Y	Y	N	N	Y	Y	N	Y	N	N	Y	Y
20.315	Y	Y	N	N	Y	Y	N	Y	N	Y	N	Y
20.319	Y	Y	N	N	N	N	Y	Y	N	Y	Y	Y
20.327 (NEW)	Y	Y	Y	N	N	Y	N	Y	N	N	N	N
20.500/20.507/20.525 /20.526 (Federal Transit Cluster)	Y	Y	Y	N	N	N	Y	Y	N	N	Y	N
20.509	Y	Y	Y	N	Y	N	N	Y	N	N	Y	N

2023 Compliance Supplement – Part 2 Matrix

- If the program (or cluster, as applicable) is not listed in Part 2, the “Pick 6” limitation will not apply and the auditor must follow the guidance in Part 7 to evaluate which of the 12 compliance requirements are direct and material to the major program

2023 Compliance Supplement – Part 3 BABAA

- BABAA – Build America, Buy America Act
 - Effective May 14, 2022, non-federal entity must comply with the BABA provisions if the terms and conditions of an infrastructure award subject the award to these provisions
 - The Act requires:
 - All iron and steel used in the project are produced in the U.S.;
 - All manufactured products used in the project are produced in the U.S.; and
 - All construction materials are manufactured in the U.S.
- Again, the BABA rules only apply to the extent the award recipient has been informed of these rules through the award terms and conditions
- Several federal agencies, in conjunction with OMB, have issued waivers. Auditors should check the list (linked in the Compliance Supplement) as part of their audit steps before citing any findings

2023 Compliance Supplement – Part 3 Cash Management

- New audit objective added to cash management:
 - For grants and cooperative agreements to non-federal entities that are funded on a reimbursement basis, determine that expenditures, as defined by 2 CFR 200.1, were **incurred** prior to the date of the reimbursement request.
- New suggested audit procedure in response to the above objective:
 - When non-federal entities are funded under the reimbursement method, (a) select a sample of expenditures included in the cash drawdowns made during the period from the US Treasury or pass-through entity and (b) trace to supporting documentation and ascertain if the expenditures were incurred prior to the date of the reimbursement request (2 CFR section 200.305(b)(3)).

2023 Compliance Supplement

- COVID-19 Programs Advisories
 - Donated Personal Protective Equipment (PPE)
 - Not to be reported on the SEFA
 - Note to the SEFA added to show fair market value of PPE at time of receipt
 - The note can be marked as “Unaudited”
 - Value of PPE should not be factored into the calculation of a Type A program
 - PPE not required to be tested as a major federal program
 - Federal agencies and pass-through entities should identify funding as “COVID-19” funding if it sourced from such programs
 - Auditees should identify COVID-19 awards on the SEFA and Form SF-SAC (data collection form) and within findings (if applicable) as follows:
 - Precede program name with “COVID-19” on the SEFA
 - On Form SF-SAC, add “COVID-19” in Part II, Item c (Additional Award Identification box)
 - When a program is comprised of both COVID-19 and non-COVID-19 funding, the line items should be broken out
 - Any findings related to a COVID-19 award should be identified as such by the auditor

2023 Compliance Supplement

- **SEFA** – On a separate line by Assistance Listing number with “COVID-19” as a prefix to the program name. For example:
 - COVID-19 – Temporary Assistance for Needy Families – 93.558 – \$1,000,000
 - Temporary Assistance for Needy Families – 93.558 – \$3,000,000
 - Total – Temporary Assistance for Needy Families – 93.558 – \$4,000,000
- **SF-SAC** – On a separate row by Assistance Listing number with “COVID-19” as the first characters in Part II, Item 1c, Additional Award Information. Example:

	a	b	c	d	e	f	g	h
	Assistance Listing #	Assistance Listing #						
Row Number (auto-generated)	Federal Awarding Agency Prefix	Assistance Listing Three-Digit Extension	Additional Award Identification	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total (auto-generated)	Cluster Total (auto-generated)
					(\$)		(\$)	(\$)
1	93	558		TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$3,000,000.00		\$4,000,000.00	
2	93	558	COVID-19	COVID-19 - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$1,000,000.00		\$4,000,000.00	
				Total Federal Awards Expended =	\$4,000,000.00			

Source: 2021 OMB Compliance Supplement

2023 Compliance Supplement

- Definition of COVID-19 Funding
 - Funding to new programs or existing programs from these sources:
 - Coronavirus Preparedness and Response Supplemental Appropriations Act
 - Families First Coronavirus Response Act
 - CARES Act
 - CRRSAA
 - ARP

2023 Compliance Supplement

- COVID-19 Programs Advisories
 - Alternative CSLFRF (Coronavirus State and Local Fiscal Recovery Fund) Compliance Examination (in lieu of single audit/program-specific audit)
 - Most nonprofit organizations will not be able to take advantage of this examination since only prime recipients of CSLFRF funding are eligible. Prime recipients of CSLFRF are typically states and local governments
 - Recipients of CSLFRF (states and local governments, etc.) should check the eligibility criteria very carefully before applying this alternative approach
 - CSLFRF – Subrecipient vs. Beneficiary considerations
 - Received as a subrecipient = Reported on the SEFA
 - Received as a beneficiary = NOT reported on the SEFA (i.e. not subject to Single Audit – 2 CFR 200, Subpart F)

2023 Compliance Supplement

- Programs with “Higher Risk” designations
 - See table on next slide

2023 Compliance Supplement

Agency	Assistance Listing (CFDA) Number	Title
Education*	84.425	Education Stabilization Fund
HHS*_	93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
HHS**	93.778/93.777/93.775	Medicaid Cluster
Treasury*	21.023	Emergency Rental Assistance
Treasury*	21.026	Homeowner Assistance Fund
Treasury*	21.027	Coronavirus State and Local Fiscal Recovery Funds
Treasury*	21.029	Coronavirus Capital Projects Fund
Interior **	15.252	Abandoned Mine Land Reclamation (AMLR)
Social Security	96.001/96.006	Disability Insurance/Supplemental Security Income

Note:

* These programs were created by one of the laws cited at the beginning of this section and are thus considered 100% COVID-19 funding.

** These programs were existing programs that received additional COVID-19 funding from one or more of the laws cited at the beginning of this section or IIJA funding.

2023 Compliance Supplement

- Programs with “Higher Risk” designations – major program implications
 - For Type A programs, likely will be a major program unless COVID-19 component is not material to the Type A program
 - Higher risk program included in a Type A Research & Development Cluster Type A program would not create a high risk Type A program if “normal” criteria would conclude the program is low-risk
 - Type B programs – no changes to order of evaluation or application of Type B risk criteria
- COVID-19 Programs Advisories
 - Auditors should identify COVID-19 related audit findings when identifying the program name related to the finding(s)
 - Pass-through entities must identify COVID-19 funding to its subrecipients at the time of the award

2023 Compliance Supplement

- Reminders

- Awards from NSF and NIH are presumed to fall under the Research & Development cluster
- Auditors are reminded that when performing an audit under generally accepted auditing standards (GAAS), including single audits, that AU-C section 530, Audit Sampling, provides auditor requirements and guidance related to an auditor's use of sampling.
- The AICPA Audit Guide, *Government Auditing Standards* and Single Audits, contains auditor guidance for, among other things, designing an audit approach that includes audit sampling to achieve both compliance and internal control over compliance related audit objectives in a single audit or program-specific audit performed in accordance with the Uniform Guidance

2023 Compliance Supplement

- Reminders

- Late submissions and impact on low-risk auditee status
- Clusters are defined in Part 5. Auditees should identify clusters on the SEFA even if they only have one assistance listing associated with it

2023 Compliance Supplement – Not Just For Auditors

- Auditees need to utilize the annual compliance supplement for many reasons. Let's walk through the organization of the supplement and discuss how it can/should be used by auditees
 - 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 Supp.
 - Part 8: Appendices

FEDERAL AUDIT CLEARINGHOUSE DEVELOPMENTS

Federal Audit Clearinghouse

- The provider of the Federal Audit Clearinghouse (FAC) is transitioning from Census Bureau to General Services Administration (GSA) effective October 1, 2023 (was originally supposed to be October 1, 2022)
- Single audits with a “2022” year-end will file with Census through 9/30/23, which should encompass all 2022 submissions if they conform to the 9 month rule.
- Any draft (2022) submissions started before 9/30/23 but not finalized as of 9/30/23 may need to be restarted in the new system

Federal Audit Clearinghouse

- Single audits with a “2023” year-end (and beyond) will file with GSA
- 2023 submissions with fiscal periods ending January 1, 2023 through September 30, 2023, the “30-day rule” has been suspended and they would just follow the 9-month rule
- 2022 submissions should have been under the GSA but the transitioned got delayed by one year. Thus relief of the 30-day rules was granted for fiscal periods ending between January 1, 2022 and October 31, 2022. These year-ends would just follow the 9-month rule

Federal Audit Clearinghouse

New URL:

www.FAC.gov

Federal Audit Clearinghouse

- Other relief was given to those entities impacted by certain Fall 2022 storms (Hurricanes Fiona and Ian) and the Alaska flood and landslide
- Be careful in evaluating timely submission using the two-year lookback criteria of the low-risk auditee definition
- Data Collection Form (DCF) reminders
 - Census has noted a high error rate in recent years
 - DCF is a shared responsibility between auditor and auditee
 - Both sides should subject the form to a detailed review process
 - Instructions consulted as needed

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)



Federal Grantor/Program Title	Assistance Listing Number	Grant/Contract Number	Federal Expenditures	Passed Through to Subrecipients	Type A or B?
Research and Development Cluster:					
National Science Foundation					
Biological Sciences	47.074	XXX-XXX	\$ 1,500,000	\$ -	
Department of Health and Human Services, National Institutes of Health					
Nursing Research	93.361	XXX-XXX	300,000	-	
Total Research and Development Cluster			1,800,000	-	A
Department of Health and Human Services					
COVID-19: HIV Emergency Project Grants	93.914	XXX-XXX	650,000	-	B
Department of the Treasury					
COVID-19: Coronavirus Relief Fund	21.019	XXX-XXX	800,000	-	A
Department of Housing and Urban Development					
Housing Counseling Assistance Program	14.169	XXX-XXX	500,000	-	B
Housing Opportunities for Persons with AIDS	14.241	XXX-XXX	150,000	-	B
Department of Agriculture					
Child and Adult Care Food Program	10.558	XXX-XXX	50,000	-	B
Department of Justice					
Violence Against Women Formula Grants	16.588	XXX-XXX	1,000,000	600,000	A
Total expenditures of federal awards			<u>\$ 4,950,000</u>	<u>\$ 600,000</u>	



2 CFR PART 200, APPENDIX XI
COMPLIANCE SUPPLEMENT



May 2023
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

SEFA

- Requirements of the SEFA (§ 200.510 (b))
 - Federal expenditures defined by § 200.502
 - List programs by federal agency
 - For clusters, provide the cluster name and the individual federal programs contained within it
 - For R&D cluster, total federal awards must be shown either by individual federal award or by federal agency and major subdivision within the federal agency (e.g. NIH within HHS)
 - For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity **MUST** be included

- Requirements of the SEFA (§ 200.510 (b)) (Cont.)

- Provide total federal awards expended for each individual federal program and the Assistance Listing Number (ALN) or other identifying number when ALN is unavailable
- For a cluster, the cluster total must also be presented (note: if the entity only has one ALN within a defined cluster, the cluster must still also be identified)
- Include the total amount provided to subrecipients from each federal program
- For loan or loan guarantee programs (that qualify for SEFA reporting), identify in the notes to the SEFA the balances outstanding at the end of the audit period (in addition to the amounts reported on the SEFA)

SEFA

- Requirements of the SEFA (§ 200.510 (b)) (Cont.)
 - The notes to the SEFA should also include:
 - Significant accounting policies used to prepare the schedule
 - Whether or not the auditee elected to use the 10% de minimis cost rate option ((§ 200.414)
 - SEFA PREPARATION IS THE RESPONSIBILITY OF THE AUDITEE!!!

SEFA

- Basis for determining federal awards expended (§ 200.502)
 - Often, the GAAP basis of expenses for the period will be the amount to be reported on the SEFA if accrual basis was selected by the auditee
 - However, this is not always the case. Some reasons include:
 - Costs from a prior period are allowed to be charged to a current year award
 - Cost that can be charged to an award must be capitalized under GAAP (e.g. capital expenditures for property and equipment)
 - Advances to subrecipients should be reported on the SEFA when advanced and not when the GAAP criteria for expense reporting are met
 - Loan balances on the balance sheet not the P&L
 - Balances of endowment funds (federally funded) don't involve expenditures
 - Federal awards – directly received and received from a pass-through entity

SEFA

- Cost-type contracts subject to the FAR are considered federal awards for non-federal entities (states, local governments, and nonprofit organizations)
- Non-cash assistance (e.g. commodities, free rent, etc.) will often be reported on the SEFA (PPE exceptions per compliance supplement guidance)
- Just as important as adding items to the SEFA that belong is also to exclude programs that do not belong. Examples:
 - PPP loans and ERTC are not subject to SEFA reporting
 - Awards received as a beneficiary on certain identified programs (CRF, CSLFRF)

SEFA

- Systems and controls are critical for proper SEFA preparation
- System operator critical role in the process
- Why is proper SEFA reporting critical?
 - \$750,000 threshold for triggering a Single Audit – compliance requirement
 - Auditors need a properly prepared SEFA in order to select major programs using the mandated Uniform Guidance approach
- What happens when the auditee does not have adequate controls in place and possibly errors noted on the schedule?
 - Likely a reported control finding

OTHER CURRENT DEVELOPMENTS IMPACTING GRANTS MANAGEMENT

Other Developments

- Revised SAM.gov
 - Assistance Listings names and compliance requirement summaries
 - Unique Entity Identifier (see next slide)
- OMB evaluating changes to Uniform Guidance. AICPA (GAQC) submitted its recommendations. Stay tuned!
- FFATA (Transparency Act) – alert/reminder
- E-Rate program was going to be subject to audit under the 2023 Compliance Supplement but now deferred to the 2024 Supplement



You have reached SAM.gov, an official website of the U.S. government. There is no cost to use this site.

The unique entity identifier used in SAM.gov has changed.

On **April 4, 2022**, the unique entity identifier used across the federal government changed from the DUNS Number to the Unique Entity ID (generated by SAM.gov).

- The Unique Entity ID is a 12-character alphanumeric ID assigned to an entity by SAM.gov.
- As part of this transition, the DUNS Number has been removed from SAM.gov.
- Entity registration, searching, and data entry in SAM.gov now require use of the new Unique Entity ID.
- Existing registered entities can find their Unique Entity ID by following the steps [here](#).
- New entities can get their Unique Entity ID at SAM.gov and, if required, complete an entity registration.

COMMON FINDINGS UNDER COMPLIANCE AUDITS

The list

- Lack of appropriately designed internal controls over compliance
- Federal award identification/SEFA
- Subrecipient monitoring
- Indirect cost rates
- Allowability of costs (direct and indirect) (double-dipping new risk)
- Compensation for personal services
- Vendor/subrecipient checks (SAM.gov)
- Special tests/award specific compliance requirements
- Procurement
- FFATA

Ask the presenter

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THANK YOU FOR
YOUR TIME AND
ATTENTION

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