



## Performing a Single Audit Under the Uniform Guidance?

### Key Matters to Understand and Tips for Enhancing Audit Quality

*The Office of Management and Budget — Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200*, referred to as the Uniform Guidance, is changing auditor requirements generally for Dec. 31, 2015, year-end and later single audits. Here are 10 key matters auditors need to know when performing single audits under the new rules:

1. In addition to modifying the audit requirements for single audits, the Uniform Guidance also modifies the requirements with which clients have to comply.
2. The multiple effective dates of the Uniform Guidance for auditors and their clients add complexity to implementation.
3. A key schedule the auditor uses to determine the scope of the audit, the Schedule of Expenditures of Federal Awards, now includes revised requirements.
4. The process that auditors use to select major programs has been revised in areas such as the threshold for Type A/Type B programs, risk assessment criteria, low-risk auditee criteria and the percentage of coverage.
5. The changes to the major program risk assessment criteria may result in fewer high-risk Type A programs, which means that auditors may need to test more Type B programs than in previous years.
6. Clients may have established new internal control over compliance that auditors will need to take into consideration when gaining an understanding of and testing internal control.
7. The Office of Management and Budget (OMB) *Compliance Supplement*, a key auditor tool used to test compliance, has been revised to address the revised Uniform Guidance requirements.
8. Single audits may result in more findings than in prior years as clients adapt to the Uniform Guidance requirements.
9. Auditor report language will need slight revisions.
10. Additional audit effort may be needed in the early years of implementation due to the transitional issues associated with client's older awards and newer awards and revisions that clients make to internal control.

## Single Audits Have a Strong Public Interest Component.

Federal agencies that provide federal assistance to state and local governments and not-for-profit organizations rely on single audits as part of their oversight responsibilities. Performing high-quality single audits is a must. Here are 10 tips to help auditors enhance their single audit quality under the Uniform Guidance:

1. Auditors need to clearly understand when the audit requirements are effective (generally Dec. 31, 2015, year-end single audits and later) versus when the client requirements apply (generally for new awards and incremental funding made on or after Dec. 26, 2014).
2. Auditors should become familiar with the new cost principles and administrative requirements that clients must comply with for newer awards and incremental funding.
3. Auditors should understand the changes to the client's Schedule of Expenditures of Federal Awards (SEFA) and consider using a disclosure checklist to help ensure the SEFA includes all new requirements.
4. Auditors should be trained on the new audit requirements, especially how they differ from the previous audit requirements under OMB Circular A-133.
5. If using third-party audit programs or an electronic means to determine major programs, auditors should ensure such tools have been updated for the Uniform Guidance.
6. Auditors should ensure an understanding of any changes to the client's internal control, as well as appropriate usage by staff of the various parts of the *OMB Compliance Supplement* when performing compliance testing.
7. Auditors should refer to the reporting illustrations in the AICPA Audit Guide, *Government Auditing Standards and Single Audits*, to ensure all required reporting elements are included.
8. Auditors should prepare audit documentation in a manner that clearly shows the planning, performance and reporting of the engagement.
9. Auditors should ensure that the following items tie together: the audit documentation, the auditor's reports (including the auditor's Schedule of Findings and Questioned Costs) and the federal Data Collection Form.
10. Auditors should focus quality-control systems on areas previously shown to be problematic in a single audit, such as major program determination, understanding and testing of internal control, compliance testing, reporting and audit documentation.



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