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• Access evaluation for today’s GAGC Web event. Tell us how much you like or dislike the content, resources and technology provided.
• Provide suggestions for future Web event topics.
Today's speakers.

Lindsey Oakley, CPA, Partner, BKD LLP
John Good, CPA, Managing Director, EY

What we will cover

An introduction to Novel Coronavirus (COVID-19)
OMB COVID-19 Memos
The 2020 OMB Compliance Supplement (Supplement)
Planning and performance considerations for 2020 single audits
Other single audit developments and looking forward

Resources

CAUTION!
Many areas relating to COVID-19 are developing. Our goal is to communicate the best information we have. However, due diligence will be needed as things may change. Watch for GAQC update communications.

Terminology and abbreviations

CFDA Catalog of Federal Domestic Assistance
HUD Housing and Urban Development
CHIP Children’s Health Insurance Program
OCO Earned Income Tax Credit
CSBG Community Services Block Grant
EDAP Educational Data Information System
IDES Internet Data Entry System
CAP Corrective Action Plan
I/C Internal Control
CHIP Children’s Health Insurance Program
IHHE Institutions of Higher Education
DCF Data Collection Form
NACA National Aeronautics and Space Administration
EDP Department of Education
NASA National Aeronautics and Space Administration
IDOE Office of Disability Services
OEO Office of Educational Opportunity
LHD Local Health Districts
OFCC Office of Federal Contract Compliance
FSC Fund for the Improvement of Postsecondary Education
GI Institute of Higher Education
MBI Management Board
IAA Institute for Academic Auditing
CSAO Statewide Audit Organization
FIRS Fund for the Improvement of Postsecondary Education
SAS Statement on Auditing Standards
FAR Federal Acquisitions Regulations
SBA Small Business Administration
FIPS Federal Information Processing Standards
SSA Social Security Administration
SEFA Schedule of Expenditures of Federal Awards
FIPS-140 Federal Information Processing Standards
UG Uniform Guidance
CSBG Community Services Block Grant
SSA Social Security Administration
HHS U.S. Department of Health and Human Services
USDA U.S. Department of Agriculture
SAS Statement on Auditing Standards
FIPS-140 Federal Information Processing Standards

6/30/2020
An Introduction to COVID-19 Funding

COVID-19 Funding - New and Existing Programs

New programs: At least 20 new programs

CARES Act provided many existing programs with additional funding

Some existing federal programs have been granted significant flexibilities and/or waivers of compliance requirements by federal agencies

Applicable Laws
• Coronavirus Preparedness and Response Supplemental Appropriations Act
• Families First Coronavirus Response Act
• Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
• Future relief funding?
COVID-19 Funding – The Largest 4 New Programs

** Payment Protection Program ($600B)**
- Federal Agency: SBA
- For-profit, NFPs
- Not subject to single audit
- CFDA: 51.073

** Provider Relief Fund**
- Federal Agency: HHS
- For-Profits, NFPs, Governmental Entities
- Subject to single audit
- CFDA: 51.075

** Coronavirus Relief Fund ($175B)**
- Federal Agency: Treasury
- Governmental Entities and Tribes
- Subject to single audit
- CFDA: 21.019

** Educational Stabilization Fund ($150B)**
- Federal Agency: Education
- States, Schools, IHE
- Subject to single audit
- CFDA: 84.425 (see next slide)

** Provider Relief Fund** indicates the Provider Relief Fund is subject to single audit. Check beta.sam.gov regularly as HHS is still discussing this.

Education Stabilization Fund sections

- Education Stabilization Fund Discretionary Grants
  - 84.425B - Rethink K12 Education Models Grants
  - 84.425G - Reimagining Workforce Preparation Grants

- Governor's Emergency Education Relief Fund (84.425C)
- Elementary and Secondary School Emergency Relief Fund (84.425D)
- FIPSIE (84.425N)

Formula Grants to the Outlying Areas
- SEAs (84.425A)
- Governors (84.425H)

84.425 is considered one program for major program determination purposes

** Summary of New COVID Programs and Related Guidance **

- GAQC has prepared a nonauthoritative summary of new federal COVID-19 programs and whether each is subject to single audit
- Developed based on public information in https://beta.sam.gov/
- Open to the public
- Includes relevant links to federal agency Web sites and other pertinent information the GAQC is aware of regarding each program

Access the summary
Many existing federal programs received new CARES funding.

CARES Act provided additional funds to many existing CFDA numbers.

All federal agencies, except for NASA, EPA, and SSA, received additional funds under CARES Act that have been applied to many existing CFDA numbers.

For example, HHS has indicated it has 99 programs that received additional funding under CARES Act.

Some existing programs also had compliance requirement changes due to COVID-19. Examples include:

- SFA
- USDA food programs
- Certain HUD housing programs

There is much uncertainty about whether/how federal agencies will update their Part 4 Supplement sections for compliance requirement changes.

OMB COVID-19 Memos
Single Audit - OMB memos on COVID

OMB Memo M-20-17, Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations

- Federal awarding agencies needed to provide implementing guidance for provisions in memo
- "Blanket" 6-month single audit extension provided beyond the normal due date for recipients with fiscal year-ends through June 30, 2020, that had not filed their single audits with the FAC as of the date of memo (March 19)
- Other flexibilities such as:
  - No cost extensions for expiring awards
  - Allowability of salaries and other project activities
  - Allowability of costs not normally chargeable to awards

Tip: View the latest news on COVID-19-related issuances and extensions in a GAQC Summary Table

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Single Audit – Example agency approaches for adopting M-20-17

HHS - Administration for Children and Families
HHS - Centers for Disease Control and Prevention
Department of Defense - Waivers (there are also similar waivers issued for army, army medical research, etc.)
Department of Justice - Waivers
ED - Indirect Costs
ED - Audit Extensions
ED - Salaries and Other FAQs

Tip: A google search of "federal agency adoption of OMB Memo M-20-17" is a good way to find agency actions

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OMB Update to Memo M-20-26

Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations

Issued June 18, 2020; Expires September 30, 2020
Rescinds previous 6-month audit submission extension for June 30, 2020, year-ends
A 6-month submission extension is provided for single audits not yet submitted at March 19, 2020, with normal due dates from March 30, 2020, through June 30, 2020
Audits with normal due dates of July 30, 2020, and September 30, 2020, also get a 3-month submission extension
Allowability of salaries and other project activities
Clarifies no "double-dipping"
Separate SEFA presentation for "COVID Emergency Acts funding"

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### Fiscal Year End | Normal Due Date | Extended Due Date
---|---|---
June 30, 2019 | March 31, 2020 | September 30, 2020
July 31, 2019 | April 30, 2020 | November 2, 2020*
August 31, 2019 | May 31, 2020 | November 30, 2020
September 30, 2019 | June 30, 2020 | December 31, 2020

*Per section 200.512 of the UG, if the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. Dates have been adjusted accordingly.

### Fiscal Year End | Normal Due Date | Extended Due Date
---|---|---
October 31, 2019 | July 31, 2020 | November 2, 2020*
November 30, 2019 | August 31, 2020 | November 30, 2020
December 31, 2019 | September 30, 2020 | December 31, 2020

*Per section 200.512 of the UG, if the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. Dates have been adjusted accordingly.

### Fiscal Year End | Normal Due Date | Extended Due Date
---|---|---
January 31, 2020 | November 2, 2020* | No Extension – Normal UG due date applies
February 29, 2020 | November 30, 2020 | No Extension – Normal UG due date applies
March 31, 2020 | December 31, 2020 | No Extension – Normal UG due date applies
April 30, 2020 | February 1, 2021* | No Extension – Normal UG due date applies
May 31, 2020 | March 1, 2021* | No Extension – Normal UG due date applies
June 30, 2020 | March 31, 2021 | No Extension – Normal UG due date applies

*Per section 200.512 of the UG, if the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day. Dates have been adjusted accordingly.
Single Audit – Other OMB Memos on COVID-19

OMB Memo M-20-11, Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations
• Expires July 26, 2020

M-20-20, Repurposing Existing Federal Financial Assistance Programs and Awards to Support the Emergency Response to the COVID-19
• Rescinded by OMB Memo M-20-26

M-20-21, Implementation Guidance for Supplemental Funding Provided in Response to COVID-19
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Using “other available funding”

Please clarify, if you can, the section in OMB Memo M-20-26 that addresses using “other available funding” first.

Per OMB Memo M-20-26: “Due to the limited funding resources under each federal award to achieve its specific public program goals, awarding agencies must inform recipients to exhaust other available funding sources to sustain its workforce and implement necessary steps to save overall operational costs (such as rent renegotiations) during this pandemic period in order to preserve Federal funds for the ramp-up effort. Recipients should retain documentation of their efforts to exhaust other funding sources and reduce overall operational costs.”

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Double-dipping

Can you confirm that expenses paid with/ applied to PPP federal funds, may not also be applied to other federal grants?

Per OMB Memo M-20-26: “…payroll costs paid with the Paycheck Protection Program (PPP) loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice.”

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Background, timing, and effective date

Supplement likely to be issued in 2 parts this year
  • First part will be primarily what was developed prior to COVID-19 pandemic
    – Currently in OMB clearance; OMB is hoping for July issuance
  • Addendum to be issued early fall and will cover COVID-19 matters

Will be effective for audits of fiscal years beginning after June 30, 2019

Watch GAQC Web site and future GAQC Alerts for updates

Expectations for first 2020 Supplement release

- Regular updates unrelated to COVID-19
- 6 requirement mandate maintained; some agencies may have modified the requirements subject to audit
- Removal of Part 3-1
- A Part 5 cluster list that is not expected to change
- An addition to Appendix VII to identify new COVID-19 programs and information on future addendum

Warning!
OMB decisions about timing and content of 2020 Supplement could change based on volatility of current environment!
## 2020 Supplement, Appendix V

Appendix V is a roadmap of changes

- It identifies all changes at a high level
- Identifies specific programmatic changes by CFDA number
- Should be one of the first things you review

### Expected new programs or existing with significant change in first 2020 Supplement release (non-COVID-19-related)

<table>
<thead>
<tr>
<th>New</th>
<th>Existing with significant change</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 14.275 Housing Trust Fund</td>
<td>• Medicaid, CHIP, CSBG, Head Start</td>
</tr>
<tr>
<td>• 16.575 Crime Victim Assistance Grant Program</td>
<td>• 11.300/11.307 Economic Development Cluster and 11.611 Hollings Manufacturing Extension Partnership</td>
</tr>
<tr>
<td>• 21.016 Equitable Sharing Program</td>
<td>• 20.223 Transportation Infrastructure Finance and Innovation Act Program</td>
</tr>
<tr>
<td>• 93.686 Ending the HIV Epidemic: A Plan for America</td>
<td>• 97.036 Federal Emergency Management Agency Disaster Grants</td>
</tr>
</tbody>
</table>

### Expected SFA changes in first 2020 Supplement release (non-COVID-19)

- Proposed changes to wording of sampling table requirements (e.g., Office of Postsecondary Education Identification; sample population vs. total population)
- Enrollment reporting testing expanded
- GLBA requirements and procedures continue (ED has issued a related memo Enforcement of Cybersecurity Requirements under the Gramm-Leach-Bliley Act)
Other reminders for first 2020 Supplement release

Procurement

- Changes have been proposed to the FAR to increase micro-purchase and simplified acquisition thresholds
- Appendix VII expected to continue to instruct auditors not to report related findings for use of increased thresholds

Internal Control

- Don't forget about Part 6 - refreshed in 2019 Supplement

Other reminders - 6 requirement mandate will continue

OMB limit of 6 compliance requirements subject to the compliance audit per program or cluster will continue for programs in the Supplement

- Exception: The R&D cluster is permitted to identify 7 requirements
- Some agencies may have less than 6 requirements

For “counting” purposes, the requirements relating to A. Activities Allowed and Unallowed, and B. Allowable Costs and Cost Principles, are counted as one requirement

Agencies may have changed the requirements subject to audit from those chosen in 2019

- Not expected to be widespread

Review of Part 2 matrix is critical to identify requirements subject to audit!

Other reminders - 6 requirement mandate will continue

The 6 requirement mandate does not apply to programs not included in the Supplement

Auditors will continue to use Part 7 guidance to identify the types of compliance requirements to test

As a result, the auditor may test more than 6 requirements for these programs
Other reminders - 6-requirement mandate will continue

- For “Y” Part 2 matrix entries, auditors will still determine whether those requirements could have a D&M effect for their particular client situation
- If auditor determines that a “Y” requirement will not be tested as part of the compliance audit because it is not D&M, auditors will still have to document the related rationale for not testing
- That is, N/A is still not an appropriate way to document why a requirement subject to audit is not being tested

What do we expect for Supplement Addendum?

Part 2 matrix changes
- New COVID-19 programs

Part 3
Possible additions to background section to incorporate unique COVID-19 requirements

Part 4
Federal agencies will develop program specific sections for new programs with highest impact

Planning and performance considerations for 2020 single audits
What is the one certainty for 2020 single audits? Challenges!

Since COVID-19 funds were released very quickly, many federal agencies are having to develop program and audit policy on the back end.

Has led to numerous questions and uncertainty

- See letter from GAQC to OMB for single audit issues/questions submitted to date.

The result will be significant challenges for your 2020 single audits.

Documentation of key decisions by both auditees and auditors is more critical than ever this year!

You may also have more single audits than in previous years

Many states and large localities received significant amounts of Coronavirus Relief Funds directly from the federal government.

- These direct recipients may also be passing the funds down to smaller entities that may not have had single audits in prior years.

Healthcare entities that have not previously had single audits may have received significant Provider Relief Funds.

Other funding through the CARES Act to existing CFDA numbers may take recipients over the $750K threshold.

Client resources for first time single audits

Certain entities may have never received enough federal funding to be required to have single audit.

- Those entities may be small enough that they also have not had a financial statement audit.

GAQC resources for auditees

- Single Audit Tools, Practice Aids, and Other Resources for Auditees
2020 planning considerations – new COVID-19 programs

Determining whether client has funding under new COVID-19 programs that are subject to single audit is important

- Critical to major program determination process
- May affect type A/B program threshold
- New COVID-19 programs may be high-risk type A programs because they have not been audited before
- New COVID-19 programs could also be type B programs
- In evaluating type B risk need to consider the newness of the programs, among other factors
- Currently no requirement to select these type B programs for audit or consider them “higher risk”

2020 planning considerations – existing federal programs receiving funding under CARES Act

Effect on type A risk assessments

- Remember that inherent risk is not a criteria for identifying a type A program as high risk (UG section 200.518(c))

Effect on type B risk assessments

- Need to consider whether influx of additional funds triggers any new risk factors
- Inherent risk may be considered in type B risk assessment

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For all existing programs: Type A programs that would have otherwise been low-risk would change to high-risk if determination made that changes in personnel or systems due to COVID-19 significantly increased program risk.

2020 planning considerations – existing federal programs with changed compliance requirements due to COVID-19

Auditors will need to identify whether client’s existing programs have compliance requirements subject to audit that have been revised or relaxed for part of the year

- Talk to clients about how they are identifying changed requirements
- Review of federal guidance issued for various programs is critical
- Check the future Supplement addendum to determine if it includes revised sections for existing programs with changes
2020 planning considerations – identifying requirement changes for existing programs a challenging task!

Example of one requirement for an existing program affected by agency guidance: 14.850 – Public and Indian Housing

Eligibility is subject to audit for this program:

- Periodic verification of income, value of assets; third-party verifications; recalculation of rent payments; etc.

Flexibility for eligibility requirements for this program provided by HUD due to COVID-19:
https://www.hud.gov/program_offices/public_indian_housing/covid_19_resources

Example of more complex impact of agency guidance – auditee Web site for R&D program
https://rsp.wisc.edu/COVID/FederalAgencyImplementationsofOMBMemoM-20-17.cfm
Communication with clients during planning will be key
Consideration of whether audit work will need to be performed remotely due to COVID-19 restrictions
Gaining an understanding of client’s funding and what will go on the SEFA
• Nontraditional awards received?
• This will take partner and high-level management involvement
Understanding how the client:
• is addressing the challenge of new CARES money covering expenses already incurred
• Is ensuring the same expenditures are not being charged to more than one federal program

Panel discussion – Do you have any best practice tips to share for planning single audits in this environment

2020 performance considerations
Testing completeness of SEFA will be especially important this year
• Programs and amounts may be harder to identify for SEFA purposes
Changes in client I/C for one part of the year may result in:
• need for more I/C testing due to control changes;
• the potential for increased compliance sample sizes if controls cannot be relied upon
• Check out AICPA article: Tips for auditing with changed controls during the pandemic
2020 performance considerations

Issues may arise relating to client documentation evidencing compliance due to COVID-19 shutdowns or changes
Preparing audit documentation of key audit decisions reached and judgments made will be critical
Check out this AICPA podcast: https://www.journalofaccountancy.com/podcast/coronavirus-guidance-for-auditors-and-financial-statement-preparers.html

2020 performance considerations – a reminder on findings

Even prior to the COVID-19 pandemic, federal agencies have been emphasizing that auditor’s findings could be improved
Auditors should ensure findings include all required elements
Will be even more important in light of the COVID-19 pandemic due to the potential for an increased number of findings and the likely focus of federal agencies on COVID-19-related findings follow-up

2020 performance considerations - questions

One of my June 30, 2020, year-end clients wants their single audit finished in the early fall. They have significant expenditures from new COVID-19 funding that will likely be a major program. Do I need to wait for the Supplement addendum?
What should I do if, once issued, the Supplement addendum doesn’t include the program(s) I need to test?
If existing programs receive CARES money will additional compliance requirements be included in the 2020 Supplement in the individual program section?
Significant federal oversight expected
CARES Act includes almost $275 million for federal agency oversight and establishes:
• Pandemic Response Accountability Committee ([https://pandemic.oversight.gov/](https://pandemic.oversight.gov/))
• Office of the Special Inspector General for Pandemic Recovery
• Congressional Oversight Commission
Many individual agency OIGs and GAO also received oversight funds
• Agencies likely to perform direct engagements on recipients of COVID-19 funding
• Unclear how/whether this will increase federal reviews of audit work

Other Single Audit Developments

Backdating of submissions between 11/20/19 - 12/31/19 due to IDES outages
FAC experienced delays in processing submissions due to COVID-19
FAC staff are reviewing each CAP and rejecting in some cases
FAC highly recommend users not use Google Chrome with IDES
Announcement on FAC home page requests reporting package mention if delayed filing due to COVID-19 was taken (permitted under OMB Memo M-20-17)
Auditing Standards Board (ASB) delays reporting standards

- SAS 141, *Amendment to the Effective Date of SAS Nos. 134 Through 140* (Issued May 2020)
- One-year delay issued to provide relief to auditors amid the challenges created by the coronavirus pandemic
- The standards will now be effective for audits of F/S for periods ending on or after December 15, 2021
- One change is that early implementation of the standards will now be permitted
- The ASB recommends that SASs 134-140 be implemented concurrently

AU-C 935, *Compliance Audits (SAS 140)*

- Updates report elements and illustrative reports to be consistent with new reporting standards
  - Will affect single audit reports
- Amends definition of material noncompliance to align with SAS 138
- Updates for consistency with the UG, the OMB *Compliance Supplement*, and the 2018 YB
- Updates to Appendix, “AU-C Sections That Are Not Applicable to Compliance Audits

Timing of updated single audit report illustrations

- 2020 GAS-SA Guide to include Appendix with summary information on SAS Nos. 134 - 141
- Updated illustrations are being developed
- Examples will include F/S reports, Yellow Book reports, and single audit reports
- Initial release will occur through the GAQC Web site in late summer/early fall
- 2021 GAS-SA Guide will then incorporate the updates
Other Developments – other development relating to SFA

ED updated financial responsibility ratios rules (primary reserve, equity and net income) in an updated regulation for private NFP institutions participating in SFA

New supplementary schedule and possible new footnote disclosure

- Auditor implications

Will have impact on F/S when the audit is submitted to EZ-Audit on or after 7/1/20; regardless of fiscal year-end

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GAO - 2018 YB summary of key changes

New format and organization
Independence requirements related to nonaudit services
CPE
Peer review requirements
Finding guidance
Waste and abuse
Standards for reviews of financial statements
Performance audits
Other

See also alert issued by GAO providing relief from certain Yellow Book CPE requirements due to COVID-19 pandemic

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Archived GAQC Web events on the 2018 Yellow Book

Take advantage of following archived GAQC Web events to do a deep dive into the 2018 YB

- Heard in the Hallways: Commonly Asked Yellow Book Questions
- Considering and Documenting Nonaudit Services under Government Auditing Standards
- The 2018 Yellow Book: What You Need to Know

Access these Web events
Single Audit - UG proposed revisions
Read GAQC comments and GAQC Alert #402
Not expected to have an impact on 2020 audits
Proposes to delay the date for performance of single audit quality study to audits submitted in 2021
  • GAQC suggested the requirement be deleted and replaced with other quality improvement activities
  • Alternatively, GAQC recommended study be delayed to 2023 due to COVID-19

AICPA Audit Guide, Government Auditing Standards and Single Audits
Key resource for auditors; you should be using this Guide!
2020 update expected in eBook and paperback by late summer
Key changes:
  • Government Auditing Standards, 2018 Revision
  • Addition of concepts introduced in 2019 Compliance Supplement: 6-requirement mandate, internal controls
  • New SASs on reporting discussed in a new appendix

GAQC and Other AICPA Resources
GAQC resources - web site (www.aicpa.org/GAQC)

Key areas to check out and/or bookmark:

- Access archived GAQC Alerts in chronological order
- Access archived GAQC Web events
- Uniform Guidance auditor resources Web page (including COVID-19 section)
- Yellow Book tools and resources
- Other Compliance Audit Information Web page
- GASB Matters
- HUD Information Web page
- GAQC Membership Listings
- Auditee Resource Center
  - Auditee Single Audit Resources Web page

COVID-19 GAQC/AICPA resources

See GAQC COVID-19 Resources

Read archived GAQC Alerts

View archived GAQC Web events

GAQC Summary of COVID-19 Related Deadline Extensions of Audited Financial Statements and Other Reports

See also AICPA Coronavirus Resource Center (www.aicpa.org/coronavirus)

- Includes audit and accounting resources - see next slide

AICPA COVID-19 A&A Resources


Small Business Loans Under the PPP: Issues Related to CPA Involvement

Pandemic-specific guidance for auditors and preparers

Tips for auditing with changed controls during the pandemic

Going concern tips for auditors during the pandemic

CPEA report: Consequences of COVID-19 Potential Audit Challenges
Questions?

Panel discussion – If participants take away one or two key things from this event, what would they be?

Evaluation survey

Please click on the green survey button located below this slide in the video player to complete an evaluation of today’s event.
Thank you