Overview of Sampling and Single Audit Reporting Requirements

A Governmental Audit Quality Center Web Event
Today’s speakers

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Erica Forhan, CPA, Moss Adams
Single Audit Fundamentals – A Four Part Series

Part 1, What is a Single Audit? A Basic Background and Overview

Part 2, The Mysteries of Major Program Determination

Part 3, Understanding and Testing Compliance Requirements and Internal Control over Compliance

Part 4, Overview of Sampling and Single Audit Reporting
What we will cover

Sampling concepts in a single audit
Evaluating results of testing
Single audit reporting requirements under **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200** (UG or Uniform Guidance)
Single audit quality and best practices
Resources to facilitate a single audit
### Terminology & Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAP</td>
<td>Corrective Action Plan</td>
<td>IR</td>
<td>Inherent risk</td>
</tr>
<tr>
<td>CFDA</td>
<td>Catalog of Federal Domestic Assistance</td>
<td>OMB</td>
<td>Office of Management and Budget</td>
</tr>
<tr>
<td>DCF</td>
<td>Data Collection Form</td>
<td>PTE</td>
<td>Pass-Through Entity</td>
</tr>
<tr>
<td>FAC</td>
<td>Federal Audit Clearinghouse</td>
<td>QCR</td>
<td>Quality Control Review</td>
</tr>
<tr>
<td>GAAS</td>
<td>Generally Accepted Auditing Standards</td>
<td>SEFA</td>
<td>Schedule of Expenditures of Federal Awards</td>
</tr>
<tr>
<td>GAGAS or Yellow Book</td>
<td>Generally Accepted Government Auditing Standards</td>
<td>SFQC</td>
<td>Schedule of Findings and Questioned Costs</td>
</tr>
<tr>
<td>GAQC</td>
<td>Governmental Audit Quality Center</td>
<td>SSPAF</td>
<td>Summary Schedule of Prior Audit Findings</td>
</tr>
<tr>
<td>FAC</td>
<td>Federal Audit Clearinghouse</td>
<td>QCR</td>
<td>Quality Control Review</td>
</tr>
<tr>
<td>SFQC</td>
<td>Schedule of Findings and Questioned Costs</td>
<td>SSPAF</td>
<td>Summary Schedule of Prior Audit Findings</td>
</tr>
</tbody>
</table>
Sampling concepts in a single audit
Discussion – What is the best advice you would give beginners about sampling in a single audit?
Sampling concepts – statistical vs. nonstatistical
Auditor may choose between a statistical and a nonstatistical approach to audit sampling

Nonstatistical sampling used most often in a single audit

- **Tests of Controls**
  - Provide evidence about the effectiveness of the design, implementation, or operation of controls and policies in preventing or detecting material noncompliance.
  - **Concern:** Rates of deviations from a prescribed control.

- **Tests of Compliance**
  - Provide evidence about an auditee’s ability to adhere to the direct and material compliance requirements of its major programs.
  - **Concern:** Rates and potential magnitude of noncompliance.
Sampling concepts - attribute vs. monetary sampling

Attribute sampling recommended for both tests of controls and tests of compliance

- Tests of Controls: Common to apply attribute sampling for tests of controls (yes/no)
- Tests of Compliance: Some populations involve monetary amounts, but focus is on evidence of compliance (yes/no)

Attribute sampling allows the auditor to:

- Project a sampling error to the sample population
- Establish best estimate of questioned costs
Set up your sample for success: determine audit objectives

Proper definition and documentation of the audit objective precedes sampling design and execution.

- Separate objectives for tests of control and compliance

Examples:

- A necessary control was performed effectively.
- An expenditure charged to a grant is allowable under the cost principles
Define population, consider completeness

Understand the characteristics of the population

• Remove individually important items

• Identify the sampling unit (eligibility files, expenditures, financial reports, cost transfers)

• Each transaction or instance of the control has an equal opportunity of being selected

• May be more than one type of transaction/control
  – Allowable costs—payroll vs. other than payroll
Define population, consider completeness

Properly identify the universe of transactions

• Remember: auditor’s opinion is on the compliance requirements that could have a direct and material effect on EACH major program
  – Controls: Possible to test across major programs for controls
  – Compliance: Treat each major program as a separate population for compliance testing
Determine sample size – controls - suggested minimum sample sizes

<table>
<thead>
<tr>
<th>Significance of Control and Inherent Risk (IR) of Compliance Requirement</th>
<th>Minimum Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 deviations expected</td>
<td></td>
</tr>
<tr>
<td>Very Significant and Higher IR</td>
<td>60</td>
</tr>
<tr>
<td>Very Significant and Limited IR Or Moderately Significant and Higher IR</td>
<td>40</td>
</tr>
<tr>
<td>Moderately Significant and Limited IR</td>
<td>25</td>
</tr>
</tbody>
</table>

Suggested minimum sample sizes for populations >250
Internal control over compliance

Tests of Controls Sampling Table Small Frequency/Population Controls

No Deviations Expected

<table>
<thead>
<tr>
<th>Control Frequency</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly (4)</td>
<td>2</td>
</tr>
<tr>
<td>Monthly (12)</td>
<td>2 – 4</td>
</tr>
<tr>
<td>Semimonthly (24)</td>
<td>3 – 8</td>
</tr>
<tr>
<td>Weekly (52)</td>
<td>5 – 9</td>
</tr>
</tbody>
</table>
Determine sample size – compliance – **suggested minimum sample sizes**

Suggested minimum sample sizes for populations > 250

<table>
<thead>
<tr>
<th>Degree of Assurance Needed</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60</td>
<td>40</td>
<td>25</td>
</tr>
</tbody>
</table>
Dual purpose sample considerations

Common practice to utilize a single sample to achieve multiple audit objectives

- Internal control over compliance testing
- Compliance testing
- Financial statement balance testing

Exercise caution:

- Different characteristics are for different objectives
- If there are errors in internal control, the planned compliance sample may not be adequate
Evaluating sample results

ALL deviations/exceptions should be evaluated to:

• Understand the likely cause

• Determine if it should be reported

Justify “containment” of deviation/exception

• Additional audit work necessary to contain

• Documentation should explain why the deviation/exception is not expected to be representative of other deviations/exceptions in the broader population
Evaluating results of testing
Control deficiency - exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis.

- A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

- A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
Significant deficiency in internal control over compliance - is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Material weakness in internal control over compliance - is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.
Key definitions

Audit Finding - deficiencies which the auditor is required by §200.516 to report in the SFQC

Questioned Costs - costs that are questioned by the auditor because of an audit finding:

- which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a federal award, including funds used to match federal funds
- where the costs, at the time of the audit, are not supported by adequate documentation
- where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
Evaluating results of tests of controls

Tests of internal control may identify deficiencies, considered audit findings

Need to understand deviation and consequences

Auditor should evaluate the severity of each deficiency to determine whether, individually or in combination, is a:

- Material weakness
- Significant deficiency

Determination of whether a control deficiency is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program
Severity of a deficiency depends on:

- the magnitude of potential noncompliance resulting from the deficiency or deficiencies; and
- whether there is a reasonable possibility that the entity’s controls will fail to prevent, or detect and correct, noncompliance with a type of compliance requirement

The significance of a deficiency in internal control over compliance depends on the potential for noncompliance, not on whether noncompliance actually has occurred.

The absence of identified noncompliance does not provide evidence that identified deficiencies in internal control over compliance are not significant deficiencies or material weaknesses.
Risk factors

Risk factors affect whether there is a reasonable possibility that a deficiency, or combination of deficiencies, will result in noncompliance with a type of compliance requirement of a federal program.

The factors include, but are not limited to:

- the nature of the type of compliance requirement involved.
- susceptibility of the program and related types of compliance requirements to fraud.
- subjectivity and complexity involved in meeting the compliance requirement and the extent of judgment required in determining noncompliance.
- interaction or relationship of the control with other controls.
- interaction among the deficiencies.
- possible future consequences of the deficiency.
Factors affecting the magnitude of potential noncompliance that could result from a deficiency or deficiencies in controls include, but are not limited to:

- program amounts or total of transactions exposed to the deficiency in relation to the type of compliance requirement;
- volume of activity related to the compliance requirement exposed to the deficiency in the current period or expected in future periods; or
- adverse publicity or other qualitative factors.
Indicators of material weaknesses

Identification of fraud in the major program of any magnitude on the part of senior program management.

Identification by the auditor of material noncompliance in circumstances that indicate that the noncompliance would not have been detected by the entity’s internal control.

Ineffective oversight by management, or those charged with governance, over compliance with program requirements where the activity is subject to a type of compliance requirement.
Evaluating the results of tests of compliance

Tests of compliance may disclose instances of noncompliance, considered audit findings.

May be of monetary nature and involve questioned costs.

Alternatively, may be nonmonetary and not result in questioned costs.

Both GAGAS and the UG specify how certain findings are to be reported.

Auditor needs to determine effect on compliance opinion, as well as the appropriate reporting of finding and any related questioned costs.
Evaluating the results of tests of compliance

The auditor should not assume that an instance of fraud or error is an isolated occurrence and, therefore, should consider how the detection of such noncompliance affects the assessed risks of material noncompliance.

Before the conclusion of the audit the auditor should:

• Evaluate whether audit risk of noncompliance has been reduced to an appropriately low level and whether the nature, timing, and extent of the audit procedures need to be reconsidered.

• Conclude whether sufficient appropriate audit evidence has been obtained to reduce to an appropriately low level the risks of material noncompliance with compliance requirements.
Evaluating the results of tests of compliance

Differing thresholds for evaluating noncompliance

Overall major program or cluster
Type of compliance requirement or audit objective from the *Compliance Supplement*
Financial statement materiality – to determine if GAGAS reporting needed

Results of evaluation will assist in how to report

Effect on opinion on compliance for each major program
Unmodified/qualified/adverse
SFQC

Instances of noncompliance detected by the auditor should also be considered for any related ineffectiveness of the related internal control
Evaluating the results of tests of compliance

For purposes of the compliance opinion, in determining whether the auditee complied with the direct and material compliance requirements in all material respects, the auditor may consider the following factors:

- Nature and frequency of noncompliance
- The adequacy of the entity’s system for monitoring compliance
- Whether any identified noncompliance with the direct and material compliance requirements resulted in likely questioned costs that are material to the federal program
Other evaluation criteria

Materiality of noncompliance relative to the individual compliance requirement

Aggregate immaterial instances of noncompliance

Quantitative and qualitative factors

Whether noncompliance could be material in relation to the financial statements

Assessing materiality at the appropriate level is critical to the proper evaluation of findings
Questioned costs

In evaluating the effect of questioned costs on the compliance opinion, the auditor considers the best estimate of the total costs questioned for each major program (likely questioned costs), not just the questioned costs specifically identified (known questioned costs).

Likely questioned costs are developed by extrapolating from audit evidence obtained

- For example, projecting known questioned costs identified in an audit sample to the entire population from which the sample was drawn.

Known questioned costs may not be considered material, but the likely questioned costs are considered material

- The auditor should consider the noncompliance to be material (and report a finding) or may expand the scope of the audit and apply additional audit procedures to further establish the likely questioned costs
Findings of noncompliance that cannot be quantified

Consider the following scenario:

• PTE consistently fails to monitor the activities of its subrecipients as necessary to ensure subaward used for authorized purposes

Would likely be material in relation to the subrecipient monitoring compliance requirement

• Should be reported as an audit finding

Consider effect on compliance opinion for the major program

Consider whether significant deficiencies or material weaknesses exist
Example evaluation

During a test of compliance with activities allowed or unallowed, there was 1 missing invoice in a sample of 40 expenditures.

Do we have a finding?

If so, what is it?
Example evaluation

During a test of compliance for activities allowed or unallowed, it was noted that an expensive piece of equipment was charged to a major program when the grant agreement does not allow program funds to be spent on equipment.

Do we have an audit finding?
If so, what is it?
Example evaluation

During a test of compliance with subrecipient monitoring for a PTE, it was noted that of the 7 subrecipient drawdown requests selected for testing, 1 was not approved by the assigned individual.

Do we have an audit finding?
If so, what is it?
Example evaluation

During a test of compliance with eligibility, in a dual-purpose sample of 40 application forms (testing for both internal control and compliance):

• All application forms were approved by the director as required (key control)

• However, income eligibility was not documented on 4 forms

Is there an audit finding?

If so, what is it?
Reporting requirements of the single audit
What does GAGAS require to be reported?

GAGAS findings generally relate to the audit of the financial statements

• However, single audit-related audit findings could be required to be reported in the GAGAS reporting if material to the financial statements

Internal Control over Financial Reporting

• Material weaknesses and significant deficiencies

Material instances of fraud and noncompliance with provisions of laws and regulations

Material noncompliance with provisions of contracts or grant agreements

Abuse that has a material effect, either qualitative or quantitative, on the audit
What does the UG require to be reported? 

Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse

Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program

Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program

Known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program
What does the UG require to be reported?

Known questioned costs that are greater than $25,000 for a federal program which is not audited as a major program

Known or likely fraud affecting a federal award, unless otherwise reported in the SFQC

Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding
Report submission requirements

The audit must be completed and the DCF and reporting package must be submitted to the FAC within the earlier of:

- 30 calendar days after receipt of the auditor's report(s),
- or nine months after the end of the audit period.

If the due date falls on a Saturday, Sunday, or federal holiday, the reporting package is due the next business day.

The auditee must electronically submit to the FAC the DCF and the reporting package
Reporting package - required components

- Financial Statements and SEFA
- Auditor’s Report on the Financial Statements
- Auditor’s Reporting on the SEFA
- Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters (referred to as Yellow Book report)

Blue = Auditee Requirement  Green = Auditor Requirement
Reporting package - required components

- Auditor’s Report on Compliance with Requirements that Could Have Direct and Material Effect on Each Major Program and on Internal Control over Compliance (referred to as single audit report)
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Corrective Action Plan

Blue = Auditee Requirement  Green = Auditor Requirement
Financial statements and related reporting

Financial Statements
• See Part 1 of this series for more information

Auditor Reporting
• Opinion-level assurance on financial statements
• In accordance with both GAAS and GAGAS
• Same fiscal year as the compliance audit
• AICPA Audit Guides include illustrative report examples
  − Numerous detailed examples in the AICPA Audit and Accounting Guides, State and Local Governments and Not-for-Profit Entities
  − More limited examples in AICPA GAS-SA Guide
• GAQC web pages include a sampling of Illustrative Auditor’s Reports
SEFA and related reporting

SEFA

• Client-prepared schedule that reports the total expenditures of federal awards
• See Part 1 of this series for more information about SEFA requirements

Auditor reporting

• Determine whether presented fairly in all material respects in relation to the auditee’s financial statements as a whole
• May be included in financial statement report, the single audit report, or in a separate report
• SEFA practice aids available on the GAQC Web site: www.aicpa.org/GAQC
• Illustrative reporting on the SEFA included in the AICPA GAS-SA Guide
Yellow Book report

Internal Control Over Financial Reporting

• Material weaknesses and significant deficiencies
  – No opinion on the effectiveness of internal control over compliance

Compliance and Other Matters

• Instances of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements and any other instances warranting the attention of those charged with governance

• Noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts

• Abuse that has a material effect on the audit

Illustrative reports in AICPA GAS-SA Guide and GAQC Illustrative Auditor’s Reports web page
Single audit report

Compliance

• An opinion on compliance for EACH major program
• Reportable instances of noncompliance

Internal Control over Compliance

• No opinion on the effectiveness of internal control over compliance
• Report significant deficiencies and material weaknesses

Illustrative reports in AICPA GAS-SA Guide and [GAQC Illustrative Auditor’s Reports web page](#)
Schedule of Findings and Questioned Costs

Three required sections

• Summary of auditor’s results

• Findings related to the financial statements required to be reported in accordance with GAGAS

• Findings and questioned costs for federal awards
### Example 13-7

**Schedule of Findings and Questioned Costs**  
**Section I—Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP [unmodified, qualified, adverse, or disclaimer].

<table>
<thead>
<tr>
<th>Internal control over financial reporting:</th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Material weakness(es) identified?</td>
<td>_______</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>_______</td>
<td>no</td>
</tr>
<tr>
<td>Significant deficiency(ies) identified?</td>
<td>_______</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>_______</td>
<td>none</td>
</tr>
<tr>
<td></td>
<td></td>
<td>reported</td>
</tr>
</tbody>
</table>

| Noncompliance material to financial statements noted? | _______ | yes | _______ | no |

**Federal Awards**

Internal control over major federal programs:

<table>
<thead>
<tr>
<th>Material weakness(es) identified?</th>
<th>_______</th>
<th>yes</th>
<th>_______</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant deficiency(ies) identified?</td>
<td>_______</td>
<td>yes</td>
<td>_______</td>
<td>none reported</td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>Type of auditor's report issued on compliance for major federal programs [unmodified, qualified, adverse, or disclaimer].\textsuperscript{124,125}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Identification of major federal programs:\textsuperscript{126}</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFDA Number(s)\textsuperscript{127}</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
</tbody>
</table>

| Dollar threshold used to distinguish between type A and type B programs: | $\text{__________}$ |

| Auditee qualified as low-risk auditee? | yes | no |
SFQC – Part 2, Findings Related to the Financial Statements

This section includes all findings related to the audit of the financial statements that are required to be reported by GAAS and GAGAS.

GAGAS finding elements:

• Criteria or specific requirement (required or desired state)
• Condition (the situation that exists)
• Effect (the difference between the situation that exists and the required or desired state)
• Cause (why it happened)
• Recommendation
• Views of responsible officials
SFQC – Part 3, Audit Findings Related to the Federal Awards

Finding Elements

- Program Information
- Criteria
- Context
- Questioned Costs
- Condition Found
- Recommendation
- Cause & Effect
- Repeat Finding From Prior Year
- Whether Sampling was Statistically Valid
- Views of Responsible Officials

§200.516
SFQC – Part 3, Audit Findings Related to the Federal Awards - Suggested Findings Format

<table>
<thead>
<tr>
<th>Element</th>
<th>Additional Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding #</td>
<td>In format required by DCF</td>
</tr>
<tr>
<td>Program information</td>
<td>See UG 200.516(b)(1)</td>
</tr>
<tr>
<td>Criteria</td>
<td>Specific requirement upon which the audit finding is based</td>
</tr>
<tr>
<td>Condition</td>
<td>Includes context, perspective, cause and effect. Also includes separate discussion of control deficiency, if applicable</td>
</tr>
<tr>
<td>Recommendation</td>
<td>To prevent future occurrences of the deficiency identified in the audit finding</td>
</tr>
<tr>
<td>Questioned Costs</td>
<td>Known questioned costs must be identified by CFDA # and applicable federal award identification #</td>
</tr>
<tr>
<td>Repeat Finding</td>
<td>Yes/No. Related to immediate prior audit (include prior year audit finding numbers)</td>
</tr>
<tr>
<td>Whether sampling was</td>
<td>Yes/No</td>
</tr>
<tr>
<td>statistically valid</td>
<td></td>
</tr>
<tr>
<td>Views of responsible official</td>
<td>Separate requirement from auditee prepared CAP</td>
</tr>
</tbody>
</table>
Auditee Summary Schedule of Prior Audit Findings

The CAP and SSPAF must be prepared by the auditee. The **UG FAQs** specifically indicates at FAQ .511-1 that “the auditor should not prepare these documents for the auditee.”

The status of all audit findings included in the prior audit's SFQC

Audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected or no longer valid or not warranting further action in accordance with criteria in the **UG**

Findings relating to the financial statements which are required to be reported in accordance with GAGAS
Auditee Summary Schedule of Prior Audit Findings

Include the fiscal year in which the finding initially occurred.

Describe reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken, when audit findings were not corrected or were only partially corrected.

Provide an explanation when corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the federal agency’s or PTE’s management decision.
Auditor Responsibility for Summary Schedule of Prior Audit Findings

Auditor must follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings.

Auditor must report as a current-year finding when the auditor concludes the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.
Auditee Corrective Action Plan (CAP)

At the completion of the audit, the auditee must prepare a CAP on auditee letterhead to address each auditing finding included in the current year auditor’s report.

CAP must be in a document separate from the SFQC.

Must include reference numbers the auditor assigns to audit findings in the SFQC.

Must provide:

- Name(s) of the contact person(s) responsible for corrective action
- Corrective action planned for each audit finding
- Anticipated completion date
- Explanation and specific reasons why auditee disagrees with the audit findings (in cases where the auditee does not agree with the audit findings or believes corrective action is not required)

See the [UG FAQs](#) for FAQ .511-1 which discusses the requirement for the CAP to be submitted on auditee letterhead
Auditee must submit a DCF that provides information about the auditee, its federal programs, and the results of the audit

- Electronically completed by auditee and auditor on the FAC Web site
- Both auditor and auditee electronically certify (or “sign”)

Represents a summary of the information contained in the reporting package

Reporting package and DCF to be available for public inspection on FAC Web site

The DCF and related instructions can be accessed from the FAC’s website at https://harvester.census.gov/facweb/.
Auditor sections include:

• Auditor contact information
• Information on the results of the financial statement audit and single audit

Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

An Indian tribe may opt not to make their reporting package public on the FAC. If they take this exception under UG, they are responsible for submitting to PTEs and must make copies available for public inspection.
Single audit quality and best practices
Why should single audits be an auditor focus area?

Single audits are a “risky” business

Complex engagements that are very specialized

Previous history of quality problems

Regulator and other scrutiny
  • QCRs and Desk Reviews of auditors
  • Single audits are a “must select” area in peer review
  • Ongoing federal oversight of non-federal auditees

Future OMB study of audit quality required every 6 years by UG
  • 1st study has not occurred yet; latest information indicates it may be performed in 2019 or 2020 on audits submitted no earlier than 2018
What are common single audit deficiency areas?

- Major program determination
- Understanding and testing internal control
- Use of Supplement and compliance testing
- SEFA requirements
- Ensuring adequate audit documentation
- Single audit reporting
- Writing findings
- DCF problems
Best practices - SFQC

Understand the importance of the SFQC

• SFQC is the starting point for federal reviews
  – Desk reviews and QCRs
• SFQC provides a concise summary of the audit
  – Opinions and Findings
  – Major Programs
• SFQC is the basis for the DCF
  – Imperative that they each have the same information
Best practices - SFQC

Start with a blank “pro forma” of the SFQC

Use a disclosure checklist to check whether auditee has included all required elements

• Identification of major programs
• Type A/B dollar threshold
• Cross-check to major program audit documentation
Best practices – audit findings

Write findings from the perspective of the federal agency and what they need to know

Too much is better than too little

Consider using a template outlining each of the required criteria to ensure all required elements are included

Be specific, particularly in criteria and condition

Do not include too much duplication in the descriptions of the condition, effect, and cause

Be practical with recommendations
Best practices – reporting

Importance of review process of reports, SFQC, and DCF

• Trace major programs in SFQC and DCF to audit documentation
• Ensure that SFQC and DCF reflect actual results of audit
• Erase prior year major programs before SFQC “pro forma”

Utilize illustrative audit reports

• AICPA Audit Guides previously mentioned
• GAQC Web site (a sampling of reports available to the public)
Best practices – using the FAC to identify quality issues

https://harvester.census.gov/facdissem/Main.aspx
Resources to facilitate a single audit
AICPA Accounting and Auditing Guides

GAS-SA Guide
AICPA Audit Guide, Audit Sampling
AICPA Accounting and Auditing Guides, State and Local Governments
Not for Profit Organizations

Order now at: http://www.aicpastore.com/
Single audit-related information


OMB

- Access OMB Compliance Supplement [Compliance Supplement](https://www.whitehouse.gov/omb/)
- Find various additional UG related documents

Access grant guidance at [https://cfo.gov/](https://cfo.gov/)

- Access latest UG [FAQ document](https://cfo.gov/) (July 2017)

Access CFDA # information - [https://beta.SAM.gov](https://beta.SAM.gov)
Federal Audit Clearinghouse

https://harvester.census.gov/facweb/

- File DCF and single audit reporting packages
- Search the single audit database

The FAC's Frequently Asked Questions Web page
PDF quick reference guide on navigating the FAC system
GAQC resources – GAQC 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
- 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
Other GAQC Resources

Illustrative Auditors Reports

• Single Audit, Yellow Book, SLG, HUD

SEFA Practice Aids (for both auditors and auditees)

Quality Control Tools

• Tips for Getting Through a Quality Control Review
• Peer Review Checklists
• Practice Aid - Establishing and Maintaining a System of Quality Control
Recap: topics covered today

Sampling concepts in a single audit
Evaluating results of testing
Single audit reporting requirements under the Uniform Guidance
Single audit quality and best practices
Resources to facilitate a single audit
How Do I Get My CPE Certificate?

Access your CPE certificate by clicking the blue “CPE” icon

• If at the end of this presentation you are eligible for but unable to print your CPE certificate, please log back in to this webcast in 24 hours and click the blue “CPE” button. Your certificate will still be available.

• If you need assistance with locating your certificate, please contact the AICPA Service Center at 888.777.7077 or service@aicpa.org.
Thank you