Today's speakers.

John Good
CPA
Executive Director
Ernst & Young LLP

Lindsey Oakley
CPA
Partner
BKD

Moderating:
Mary Foelster
CPA
Senior Director
AICPA Governmental Auditing and Accounting
What We Will Cover

Key changes made in the 2018 OMB Compliance Supplement (Supplement);
Using the 2017 and 2018 Supplements together
Other Supplement reminders and notes
Performing and documenting compliance testing;
Other single audit developments, including future changes to the DCF; and

Resources

Terminology & Abbreviations

<table>
<thead>
<tr>
<th>CFDA</th>
<th>Catalog of Federal Domestic Assistance</th>
<th>GASB</th>
<th>Government Accounting Standards Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>COFAR</td>
<td>Council on Financial Assistance Reform</td>
<td>HHS</td>
<td>U.S. Department of Health and Human Services</td>
</tr>
<tr>
<td>CPE</td>
<td>Continuing Professional Education</td>
<td>NDAA</td>
<td>National Defense Authorization Act</td>
</tr>
<tr>
<td>DCF</td>
<td>Data Collection Form</td>
<td>OMB</td>
<td>Office of Management and Budget</td>
</tr>
<tr>
<td>DOT</td>
<td>U.S. Department of Transportation</td>
<td>OMB</td>
<td>Office of Management and Budget</td>
</tr>
<tr>
<td>ED</td>
<td>U.S. Department of Education</td>
<td>R&amp;D</td>
<td>Research and Development Cluster</td>
</tr>
<tr>
<td>FAC</td>
<td>Federal Audit Clearinghouse</td>
<td>SEFA</td>
<td>Schedule of Expenditures of Federal Awards</td>
</tr>
<tr>
<td>FAQs</td>
<td>Frequently Asked Questions</td>
<td>SFA</td>
<td>Student Financial Assistance Cluster</td>
</tr>
<tr>
<td>FAR</td>
<td>Federal Acquisitions Regulation</td>
<td>SLG</td>
<td>State or Local Government</td>
</tr>
<tr>
<td>GAO</td>
<td>Government Accountability Office</td>
<td>UG</td>
<td>Uniform Guidance</td>
</tr>
<tr>
<td>GAS-SA Guide</td>
<td>AICPA Audit Guide, Governmental Auditing Standards and Single Audits</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Supplement Sections and Titles

Table of Content (TOC)

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 This Supplement

Appendix I, Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200

Appendix II, Federal Agency Codification of

Governmentwide Requirements and Guidance for Grants and Cooperative Agreements

Appendix III, Federal Agency Single Audit, Key Management Liaison, and Program Contacts

Appendix IV, Internal Reference Tables

Appendix V, List of Changes for the 2018 Compliance Supplement

Appendix VI, Program-Specific Audit Guides

Appendix VII, Other Audit Advisories

Appendix VIII, Examinations of EBT Service Organizations

Appendix IX, Compliance Supplement Core Team

Key changes made in the 2018 Supplement
2018 Supplement background and effective date

Referred to as a “skinny” supplement as it only modifies sections that were considered to need significant changes.


Portions of 2017 Supplement that were not superseded continue to be effective for 2018 single audits.

Table of Content describes where the 2017 Supplement is superseded and how to use the 2017 and 2018 Supplements together.

Accessing the 2018 Supplement

Available on OMB web site as a single pdf

GAQC 2018 Supplement Tool to assist auditors in using the 2018 and 2017 Supplements together and improve efficiency.

### GAQC 2018 Supplement Access Tool (aicpa.org/GAQC)

#### Governmental Audit Quality Center

The Governmental Audit Quality Center (GAQC) promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

**Find a Member**
- Search for a member firm or state audit organization alphabetically by name or by state.

**What is a Governmental Audit?**
- Audits that include single audits, financial statement audits of both governments and NFPs.

**GAQC Member Discount Code**
- Obtain discounts on registration for governmental related conferences and products.

### Spotlight
- Single Audit Update
- Read GAQC Alert #506 to get an update on Proposed Changes to Data Collection Form (SF-GAC).

### Quick Links
- 2018 Compliance Supplement and GAQC Access Tool
- Key Auditor Considerations When Using 2018 and 2017 Supplements Together
- 2018 Title Page
- 2017 Supplement by Section

<table>
<thead>
<tr>
<th>2018 Supplement by Section</th>
<th>2017 Supplement by Section</th>
<th>Key Auditor Considerations When Using 2018 and 2017 Supplements Together</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 Title Page</td>
<td>2018 Table of Contents</td>
<td>The 2018 Supplement Table of Content (TOC) is a critical part of ensuring appropriate Supplement usage. It represents a roadmap of how the 2 Supplements are to be used together. The TOC from 2017 is only useful for identifying the location and content of sections that were not affected by 2018 Supplement issuance.</td>
</tr>
<tr>
<td>2018 Table of Contents</td>
<td>2018 Part 1</td>
<td>2018 Part 1 is important as it explains in the “Purpose and Applicability” section how the 2 Supplements are to be used together.</td>
</tr>
<tr>
<td>2018 Part 1</td>
<td>2017 Part 2</td>
<td>Use the compliance requirement applicability matrices found in the new/revised program sections in Parts 4 and 5 of the 2018 Supplement. Otherwise, use the 2017 Part 2 matrix for all other existing unchanged programs. <strong>Note:</strong> GAQC staff has reviewed each Part 4 and Part 5 program matrices in the 2018 Supplement and found no differences between those individual matrices and the 2017 Part 2 matrix. Use the 2018 updated 3.2.1, “Procurement and Suspension and Debarment” when testing this requirement. Otherwise, auditors should use the...</td>
</tr>
</tbody>
</table>
2018 Supplement, Appendix V

Look at first thing!

• Identifies all changes at a high level
• Important roadmap
• Identifies specific programmatic changes by CFDA number

2018 Supplement TOC

Critical roadmap for using the 2017 and 2018 Supplements together

Describes where the 2017 Supplement is superseded and/or continues to be relevant
2018 Supplement, Part 1

Supersedes Part 1 of the 2017 Supplement

Updated discussion of the effective date

Explanation of how auditors need to use the 2017 and 2018 Supplements together

USE GAQC 2018 SUPPLEMENT TOOL TO HELP YOU LOCATE SECTIONS OF 2017 AND 2018 SUPPLEMENTS NEEDED FOR YOUR 2018 SINGLE AUDITS

2018 Supplement safe harbor status

The auditor cannot consider the Supplement to be a “safe harbor” for identifying the audit procedures to apply

• Auditor judgment is necessary to determine whether the suggested audit procedures are sufficient

The auditor can consider the Supplement a “safe harbor” for identification of compliance requirements to be tested for the programs included herein if the auditor:

• performs reasonable procedures to ensure that the requirements in the Supplement are current and to determine whether there are any additional provisions of federal awards that should be covered, and

• Update or augments the requirements contained in the Supplement, as appropriate.
Panel discussion – safe harbor status of Supplement in light of “skinny” format

2018 Supplement – Part 2

NOT included in 2018 Supplement

For new or revised programs, use the individual matrices included in Parts 4 and 5 of the 2018 Supplement

For programs not included in the 2018 Supplement, use the Part 2 matrix in the 2017 Supplement
2018 Supplement, Part 3

3.2.I, “Procurement and Suspension and Debarment” – this is the only Part 3 section included in 2018 Supplement

- Simplified acquisition and micro-purchase threshold changes due to the NDAAAs of 2017 and 2018 (see next slides)
- Refers auditor to Appendix VII-A for guidance on reporting audit test results in this area.

Use 2017 Supplement for remainder of Part 3 sections

Before we get to Supplement Part 3 procurement updates – an effective date reminder!

Grace period option delayed applicability of UG sections 200.317 to 200.326 for three full fiscal years after December 26, 2014

- December 31st year ends – go live 1/1/2018
- June 30th year ends - go live 7/1/2018
- September 30th year ends - go live 10/1/2018

Must document decision in internal procurement policy – update for grace period extension

THERE IS MUCH MORE TO PROCUREMENT THAN THE THRESHOLDS WE WILL DISCUSS ON NEXT SLIDES. DON’T OVERLOOK! View GAQC’s Web event on Procurement to learn more at archived GAQC events.
Procurement – effect of 2017 NDAA and who, what, and when

Enacted on December 23, 2016, and raised the micro-purchase threshold to $10,000 for procurements under grants and cooperative agreements

Official guidance has not been issued to clarify the applicability date

ONLY applies to institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes

Once the applicability date is determined, non-federal entities must document this decision in their internal procurement policies.

When implemented by eligible auditees, it would apply to procurements purchased under ALL federal grants.

---

Procurement – effect of 2018 NDAA and who, what, and when

Enacted December 12, 2017, and increased the simplified acquisition threshold to $250,000 and the micro-purchase threshold to $10,000

- Effectively redefines the level for these thresholds in the Uniform Guidance once effective
- Applies to all non-federal entities (except states) and for all federal grants

THESE CHANGES ARE NOT EFFECTIVE UNTIL THEY ARE FORMALLY CODIFIED IN THE FAR!

Early implementation not permissible

The non-Federal entity must document the decision in its internal procurement policies.
Excerpt from recent OMB presentation

<table>
<thead>
<tr>
<th>NDAA 2017</th>
<th>NDAA 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(PL 114-328, Section 217(b))</td>
<td>(PL 115-91, Sections 805 and 806)</td>
</tr>
<tr>
<td>• Raises micro-purchase threshold to $10,000 for certain recipients only:</td>
<td>• Raises micro-purchase threshold to $10,000 and simplified acquisition threshold to $250,000 for procurements under the FAR</td>
</tr>
<tr>
<td>– IHEs, or related or affiliated nonprofits</td>
<td>• Applies to All Federal awards and All recipients</td>
</tr>
<tr>
<td>– Nonprofit research orgs</td>
<td>• Effective for procurements when FAR is updated</td>
</tr>
<tr>
<td>– Independent research institutes</td>
<td>• OMB granting an exception to the UG to allow use for Federal awards effective upon release date of OMB memo:</td>
</tr>
<tr>
<td>• Applies to ALL Federal awards</td>
<td>– 2 CFR 200.67 Micro-purchase</td>
</tr>
<tr>
<td>• Effective December 23, 2016</td>
<td>– 2 CFR 200.88 Simplified Acquisition Threshold</td>
</tr>
<tr>
<td>• Can receive a higher level by request to the cognizant agency for indirect costs if:</td>
<td>• No provision for higher threshold for All recipients</td>
</tr>
<tr>
<td>– Low risk auditee, or</td>
<td>• Agencies to implement a process for approval</td>
</tr>
<tr>
<td>– Internal institutional risk assessment, or</td>
<td>• Auditors not expected to write findings for covered entities that implemented increased micro-purchase thresholds after December 23, 2016, as long as entity documented decision</td>
</tr>
<tr>
<td>– Consistent with state law for public orgs</td>
<td>• Covered entities include institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes</td>
</tr>
</tbody>
</table>

2018 Supplement, Appendix VII-A - NDAA Addendum

**2017 NDAA** - Auditors not expected to write findings for covered entities that implemented increased micro-purchase thresholds after December 23, 2016, as long as entity documented decision

- Covered entities include institutions of higher education, or related or affiliated nonprofit entities, nonprofit research organizations or independent research institutes

**2018 NDAA** - Since will not be effective until codified in the FAR, audit findings are expected for other entities that adopted the increased micro-purchase and simplified acquisition thresholds before the codification date.
Panel discussion – What are you thoughts on procurement takeaways for our participants?

2018 Supplement, Part 4 - programs with changes

<table>
<thead>
<tr>
<th>CFDA#</th>
<th>Program Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Agency - DOT</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Highway Planning and Construction Cluster</strong></td>
</tr>
<tr>
<td>20.205</td>
<td>Highway Planning and Construction</td>
</tr>
<tr>
<td>20.219</td>
<td>Recreational Trails Program</td>
</tr>
<tr>
<td>20.224</td>
<td>Federal Lands Access Program</td>
</tr>
<tr>
<td>23.003</td>
<td>Appalachian Development Highway System</td>
</tr>
<tr>
<td>20.319</td>
<td>High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants</td>
</tr>
<tr>
<td></td>
<td><strong>Federal Transit Cluster</strong></td>
</tr>
<tr>
<td>20.500</td>
<td>Federal Transit—Capital Investment Grants</td>
</tr>
<tr>
<td>20.507</td>
<td>Federal Transit—Formula Grants</td>
</tr>
<tr>
<td>20.525</td>
<td>State of Good Repair Grants Program</td>
</tr>
<tr>
<td>20.526</td>
<td>Bus and Bus Facilities Formula Program</td>
</tr>
<tr>
<td></td>
<td><strong>Agency - ED</strong></td>
</tr>
<tr>
<td>84.010</td>
<td>Title I Grants to Local Educational Agencies</td>
</tr>
<tr>
<td>84.011</td>
<td>Migrant Education—State Grant Program</td>
</tr>
<tr>
<td>84.282</td>
<td>Charter Schools</td>
</tr>
<tr>
<td>84.365</td>
<td>English Language Acquisition State Grants</td>
</tr>
<tr>
<td>84.367</td>
<td>Supporting Effective Instruction State Grants</td>
</tr>
<tr>
<td>84.424</td>
<td>Student Support and Academic Enrichment Program...</td>
</tr>
</tbody>
</table>
2018 Supplement, Part 4 - programs with changes (continued)

<table>
<thead>
<tr>
<th>CFDA#</th>
<th>Program Name</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agency - HHS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Health Center Program Cluster</strong></td>
<td></td>
</tr>
<tr>
<td>93.224</td>
<td>Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)</td>
</tr>
<tr>
<td>93.527</td>
<td>Grants for New and Expanded Services Under the Health</td>
</tr>
<tr>
<td><strong>CCDF Cluster</strong></td>
<td></td>
</tr>
<tr>
<td>93.575</td>
<td>Child Care and Development Block Grant</td>
</tr>
<tr>
<td>93.596</td>
<td>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</td>
</tr>
<tr>
<td>93.600</td>
<td>Head Start</td>
</tr>
<tr>
<td><strong>Tribal Maternal, Infant, and Early Childhood Home Visiting Program Cluster</strong></td>
<td></td>
</tr>
<tr>
<td>93.508</td>
<td>Affordable Care Act (ACA) Tribal Maternal, Infant, and Early Childhood Home Visiting Program</td>
</tr>
<tr>
<td>93.872</td>
<td>Tribal Maternal, Infant, and Early Childhood Home Visiting</td>
</tr>
<tr>
<td><strong>Agency - Social Security Administration</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Disability Insurance/SSI Cluster</strong></td>
<td></td>
</tr>
<tr>
<td>96.001</td>
<td>Social Security--Disability Insurance (DI)</td>
</tr>
<tr>
<td>96.006</td>
<td>Supplemental Security Income (SSI)</td>
</tr>
</tbody>
</table>

Programs added to and deleted from Part 4

**Deleted**
- CFDA 84.377, School Improvement Grants

**Deleted**
- CFDA 84.395, State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act

**Added**
- CFDA 84.424, Student Support and Academic Enrichment Grants

**Added**
- CFDA 93.872, Tribal Maternal, Infant, and Early Childhood Home Visiting program (to form a new cluster)
2018 Supplement, Part 5

• 2018 Supplement updated the following sections:
  • SFA Cluster – regulatory updates
  • Other Clusters - added a new cluster, Tribal Maternal, Infant, and Early Childhood Home Visiting Program Cluster, comprised of CFDA#s 93.508 and 93.872

• Need to use 2017 Supplement Part 5 for Introduction and R&D sections

Other SFA cluster developments

ED issued an updated FSA memorandum stating that institutions participating in Title IV programs that submit a single audit that does not include the SFA cluster as a major program will no longer be required to notify their respective School Participation Division of the low-risk assessments.

• The previous procedure in place had required an approval from School Participation Division if SFA cluster would not be audited as major.

2018 Supplement does not include the new audit objectives and steps around “securing student information” that ED had been contemplating adding.
2018 Supplement, Appendix VII-A - Hurricane and NDAA Addendum

Need to use 2018 Appendix VII-A in conjunction with 2017 Appendix VII

Already discussed NDAA addendum

Guidance related to hurricanes Harvey, Irma, and Maria

- Intended to assist auditees, auditors, pass-through entities, and federal awarding agencies with ensuring appropriate administrative relief for audit related issues resulting from the impact of hurricanes

- See also related OMB memorandum to federal agencies dated October 26, 2017

2018 Supplement - unchanged sections

Part 6, Internal Control

Part 7, Guidance for Auditing Programs Not Included in This Compliance Supplement

Appendices I through IV

Appendix VI

Appendix VII

Appendix VIII

Appendix IX
Using the 2017 and 2018 Supplements together

Use all parts of the Supplement correctly

2. Matrix of Compliance Requirements
3. 3.1 and 3.2: Compliance Requirements
4. Agency Program Requirements
5. Clusters of Programs
6. Internal Control
7. Guidance for Auditing Programs not Included in the Supplement

Don't forget Appendices
Illustration #1 – using 2017 and 2018 Supplements together

Auditor needs to audit the DOT Highway Planning and Construction Cluster as a major program:

- CFDA 20.205
- CFDA 20.219
- CFDA 20.224
- CFDA 23.003

Step 1: Look at the TOC to see if the cluster was updated in 2018.

In this case, it was!

Where do I find the requirement matrix for the updated DOT cluster?

Because the cluster was updated, go to Part 4 of 2018 Supplement to find the matrix. See excerpt below.

<table>
<thead>
<tr>
<th>Compliance Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Y</td>
</tr>
</tbody>
</table>
What about Part 3?

Use the new 3.2.I, Procurement, Suspension and Debarment from the 2018 Supplement

For all other sections of 3.1 and 3.2, use 2017 Supplement

What About Part 4?

Use the new Part 4 section for this DOT cluster in the 2018 Supplement

IMPORTANT NOTE!
• The 2018 Part 4 section for this cluster refers the auditor to the Part 4 DOT cross-cutting section for testing various compliance requirements
• The DOT cross-cutting section was not superseded by the 2018 Supplement
• Thus, the auditor also needs to use 2017 DOT cross-cutting section
Illustration #2 – using 2017 and 2018 Supplements together

Auditor needs to audit the HHS Health Center Program Cluster as a major program:

CFDA 93.224
CFDA 93.527

Step 1: Look at the TOC to see if the cluster was updated in 2018.

In this case, it was!

Where do I find the requirement matrix for the updated HHS cluster?

Because the cluster was updated, go to Part 4 of 2018 Supplement to find the matrix. See excerpt below.
What about Parts 3 and 4?

Part 3

Use the new 3.2.I, Procurement, Suspension and Debarment from the 2018 Supplement

For all other sections of 3.1 and 3.2, use 2017 Supplement

Part 4

Use the new Part 4 section for this HHS cluster in the 2018 Supplement

Illustration #3—using 2017 and 2018 Supplements together

Auditor needs to audit CFDA 84.002, Adult Education – Basic Grants to States, as a major program

<table>
<thead>
<tr>
<th>Department of Education (ED)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>None ..........................</td>
<td>4-84.000</td>
</tr>
<tr>
<td>84.010 – Title I Grants to Local Educational Agencies ..........</td>
<td>4-84.010</td>
</tr>
<tr>
<td>84.011 – Migrant Education—State Grant Program ...............</td>
<td>4-84.011</td>
</tr>
<tr>
<td>84.282 – Charter Schools ..................................</td>
<td>4-84.282</td>
</tr>
</tbody>
</table>

Step 1: Look at the TOC to see if the cluster was updated in 2018.

In this case, it was NOT!
What about Parts 2 and 3?

Part 2
• Use the 2017 Supplement matrix section for CFDA 84.002

Part 3
• Use the new 3.2.I, Procurement, Suspension and Debarment from the 2018 Supplement
• For all other sections of 3.1 and 3.2, use 2017 Supplement

What about Part 4?
Use the 2017 Supplement section for CFDA 84.002 since it was not included in the 2018 Supplement.

IMPORTANT NOTE!
• The 2017 Part 4 section for this program refers the auditor to the Part 4 ED cross-cutting section for testing various compliance requirements
• The ED cross-cutting section was superseded by the 2018 Supplement
• Thus, the auditor also needs to use 2018 ED cross-cutting section
Other Supplement Reminders and Notes

A reminder about when section 3.1 and 3.2 are applicable

Some nonfederal entities will still have expenditures from older federal awards subject to pre-UG requirements

Part 3.1 is generally to be used for federal awards made prior to December 26, 2014

Part 3.2 is to be used for federal awards and incremental funding made on or after December 26, 2014
A reminder about responsibility when a program is not in the Supplement?

Use Part 7 to assist you in identifying compliance requirements and to develop your audit approach/program

- What are the program objectives, program procedures, and compliance requirements for a specific program?
- Which of the compliance requirements could have a direct and material effect on the program?
- Which of the compliance requirements are susceptible to testing by the auditor?
- Into which of the 12 types of compliance requirements does each compliance requirement fall?
- For Special Tests and Provisions, what are the applicable audit objectives and audit procedures?

Use the correct Supplement if auditing a prior period!

If auditing a prior period subject to the 2017 Supplement, access it on the GAQC home page (by section)
What about the 2019 Supplement?

OMB has stated that:

- The target issuance date is January 2019
- If this occurs, it is unknown what the effective date will be

In concert with the recent President’s Management Agenda, some programs may be reviewed for potential overhaul (see later slides for information on the management agenda)

Performing and documenting compliance testing
Compliance Testing Documentation – Avoiding the “N/A” problem

“N/A” is not enough to support why you did not audit a type of compliance requirement

If your teams believe a requirement that is identified as being applicable to a program in the Part 2 matrix of the Compliance Supplement is not direct and material to a client, documentation should always be provided

**Documentation is key if overriding a “Y” in the Part 2 matrix!**
Example “N/A” documentation

Example 1. Detail testing of the subrecipient monitoring compliance requirement is not performed for CFDA XX.XXX even though the requirement is noted as applicable in the Part 2 matrix. This is because XYZ entity’s expenditure of program funds has not included passing funds down to subrecipients.

Example 2. While the Part 2 Matrix identifies procurement as being applicable to CFDA No. XX.XXX, Client ABC made only one small purchase during the year that is immaterial overall to the program expenditures. Therefore, the procurement type of compliance requirement for CFDA No, XX.XXX is not direct and material to Client ABC.

Example 3. Detail testing of the eligibility type of compliance requirement not performed. While the requirement is noted as applicable in the Part 2 matrix, the Compliance Supplement section for CFDA No. XX.XXX notes that testing eligibility is the responsibility of the pass-through entity’s subrecipients. Thus, it is to be tested by the auditors of Client ABC’s subrecipients.

Panel Discussion on compliance testing – recent question received by GAQC

What are your thoughts on determining if an APPLICABLE requirement is DIRECT AND MATERIAL for single audit testing purposes? For instance, if you test capital assets in your financial statement audit, and feel comfortable with the results, can you determine that “F” - Equipment is not direct and material for single audit testing purposes?
Panel Discussion on compliance testing sampling – recent question received by GAQC

When performing compliance testing on allowable costs, can one sample of transactions be selected that includes transactions across all major programs, or are separate samples required for each major program required?


Compliance testing documentation panel discussion

Do you have any best practice tips on how you ensure your documentation on compliance testing is sufficient?
Compliance testing – best practices

- Use appropriate sample sizes (see GAS-SA Guide!) and prepare documentation to support.
- Ensure that compliance sample sizes are appropriately adjusted for results of internal control testing.
- Make sure audit documentation is clear about criteria used to perform tests (i.e., the old rules versus the new UG rules).
- Train staff about the nuances of some of the more difficult compliance areas (e.g., procurement).
- Ensure staff have an appropriate understanding of when to use of Part 3.1 and Part 3.2 of the Compliance Supplement.
- Ensure that problems found are reported as findings as required by the UG.

Audit documentation

- Do the work + Document the work = Obtain sufficient appropriate audit evidence.
Other single audit developments

AICPA Audit Guide, Government Auditing Standards and Single Audits

Key resource for auditors; you should be using this Guide!

2018 update available now in eBook and paperback

Key changes made:

• Updates to areas needing additional emphasis or explanation to help clarify the Uniform Guidance audit requirements

• Updates for July 2017 federal UG FAQs

• Slight changes to certain auditor reports for consistency

Order now at:  http://www.aicpastore.com/
FAC developments

Nothing new for 2018 audits

- However, remember reporting packages, including your reports and findings are posted publicly!

Proposed new DCF for use in 2019, 2020, and 2021 audits is out for comment (see [GAQC Alert #358](#))

- Access proposed draft DCF and instructions
- Access Federal Register Notice

Main proposed changes to DCF for 2019, 2020 and 2021

Auditors

- Audit finding information would be expanded to include the actual text of the audit finding.
- Would be required to indicate whether a communication such as management letter was issued.

Auditees

- Would be required to include the text of the corrective action plans.
- Would also be required to include the text of the notes to the SEFA
FAC Best Practice Tips

Review your DCF submissions (the actual forms) in the FAC for deficiencies

• Remediate deficiencies through reissuance of the data collection form and/or reports on a timely basis before identification in federal quality control reviews, desk reviews and peer reviews

Also consider reviewing a post-issuance sampling of your single audit “reporting packages” posted to the FAC (now generally available publicly) for any quality problems

• Federal agencies and others now have the opportunity to do the same

FAC Best Practice Tips – be on the lookout for the following:

• Lack of identification of clusters
• Improper application of definition of a federal program (programs with same CFDA #)
• Missed major program based on type A program 2-year look back
• Missed major program based on type A program with a prescribed prior year finding
• Inadequate percentage of coverage and improper determination of low-risk auditee status
• Type A program threshold calculation errors
Update on federal FAQs on the UG

Previously issued by COFAR; now that COFAR disbanded, FAQs are posted to CFO.gov Web site

*Compliance Supplement* states that FAQs are meant to provide additional context, background, and clarification of the policies described in the Uniform Guidance and should be considered in the single audit work plan and reviews

Latest update made in July 2017

Access the latest version of the FAQs

---

**GAO – *Government Auditing Standards* (Yellow Book)**

Expected release date by June 30, 2018

Effective date?

What Likely to Expect

- New format to differentiate requirements from application guidance
- Independence revisions
- Current Yellow Book CPE requirement will be retained
- Removal of requirements to report abuse and waste

Watch for future *GAQC Alerts* and Web events
President’s Management Agenda

Management Agenda released on OMB Web site in March 2018

Includes a cross-agency priority goal on grants along with a related strategy document which includes:

• Component 1 on the standardization of grant reporting data and digitized data collection.

• Component 2 on the development of digital tools to manage federal risk.

• Component 3 on the identification of practices and data tools to enable agencies to incorporate performance into their grant award operations.

GAQC will be monitoring

Are future revisions to the Uniform Guidance possible?

Address need for periodic increases to the micro-purchase and simplified acquisition thresholds?

President’s Management Agenda grants goal?

Presidential Executive Order on Buy American Hire American (BAHA)?

Never Contract with the Enemy?

Address allowable costs issues due to implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions?

Digital Accountability and Transparency Act (DATA Act) – align standard definitions with UG?
Other legislation potentially impacting single audits?

**GREAT Act** – Grant Reporting Efficiency and Assistance Transparency Act of 2017 – Only approved by House to date.

**GONE Act** - Grant Oversight and New Efficiency – signed into law in 2016

**21st Century Cures Act (CURE Act) and American Innovation and Competitiveness Act (AICA)** signed into law in 2016 and 2017, respectively

**Governmentwide Audit Quality Project is still on the table!**

**FAQ 200.513-1** states: ...a governmentwide audit quality project...must be performed once every 6 years beginning in 2018...Does the 2018 date signify the year that the first study must be performed?

No. The...project will examine single audit engagements...that are submitted to the FAC no earlier than 2018 and will...occur in 2019 or 2020 as determined by OMB.

**FOCUS POINT!**

ENSURE THAT SINGLE AUDITS ARE SUBJECT TO STRONG QUALITY CONTROL AND THAT TEAMS ARE AWARE THAT HIGH QUALITY IS IMPERATIVE!
A quick note about the GAQC and the NFP Section

AICPA Governmental Audit Quality Center

Firm-based membership center supporting the performance of quality “governmental audits”

• Over 2,000 CPA firm members (includes 32 state audit organizations)

“Governmental audits” includes audits performed under Government Auditing Standards such as single audits of governments and NFPs

Access more information about membership requirements or to join
About the GAQC – www.aicpa.org/GAQC

Provides resources (e.g., alerts, web events, tools, etc.)

Current areas of emphasis

• Government Auditing Standards
• Single audits
• Preparing for study on single audit quality

Even if not a member, GAQC Web site provides useful information for both auditors and auditees

• For example, GAQC Auditee Resource Center

About the AICPA’s NFP Section – www.aicpa.org/NFP

Get NFP tools and resources at your fingertips

Receive discounts off the AICPA’s NFP offerings, including events, publications, and products

Questions? Send an email to: NFPsection@aicpa.org.
NFP Section Benefits

Subscription to eAlerts to keep you informed

Four complimentary webcasts

GAQC and Other AICPA Resources
Where to find more?

Access the following single audit-related [GAQC archived web events]

- Single Audits: New Insights on Factors Driving Quality
- Uniform Guidance Year 3: A Deeper Dive into Challenging Audit Areas
- Uniform Guidance: Challenging Compliance Areas
- Internal Control: COSO, the Green Book, and More

Note: There are numerous other archived Web events on UG and other topics at link above!

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]

Marketing toolkit for member firms & logos
- [New logos and usage guidelines]
“Summer Fun” CPE rebroadcast week (all times Eastern) – see GAQC Alert #361

Tuesday, June 12th
• 11am to 1pm – Single Audits: New Insights on Factors Driving Quality
• 1pm to 3pm – Uniform Guidance Year 3: A Deeper Dive Into Challenging Audit Areas

Wednesday, June 13th
• 11am to 1pm – OPEB-GASB 75: Special Emphasis and Considerations for Nontrusted Plans
• 1pm to 3pm – Understanding the Actuary’s Role and Relevant Assumptions in Governmental Audit Engagements

Thursday, June 14th
• 11am to 1pm – The Challenges of Loans and Loan Guarantees in a Single Audit
• 1pm to 3pm – Procurement Under the Uniform Guidance: The Time is Now!

Friday, June 15th
• 11am to 1pm – 2018 State and Local Government Audit Planning Considerations
• 1pm to 3pm – 2018 GAQC Annual Update Webcast

AICPA Exam-Based Single Audit Certificates

• Comprehensive information on program found at: http://sacert.aicpastore.com/
• Tests knowledge on Uniform Guidance requirements
• Offered at Intermediate and Advanced levels
• Passing exam results in a digital certificate
  o Learn more about these digital badges and how to access and use them
• AICPA offers learning options aligned with exam content
• Participants can opt to take the exam(s) without the learning options
• Participants do not have to take intermediate exam in order to take advanced exam
• Distinguish yourself in the marketplace!
AICPA Competency Framework:
Governmental Auditing (competency.aipca.org)

• FREE resource designed to help CPAs understand the knowledge and skills necessary to perform high-quality governmental audit engagements.

• “Knowledge checks” help you identify growth areas, and recommend learning resources such as reports, self-study courses, publications, webcasts and more to bolster your competency.

AICPA 2018 Conferences

AICPA Not-for-Profit Industry Conference, June 18-20, 2018, Gaylord National Resort & Convention Center, National Harbor, MD


AICPA National Governmental and Not-for-Profit Training Program, October 15-17, 2018, Las Vegas, NV

All conferences have extensive session offerings on governmental and auditing topics, some of which were developed with assistance from the GAQC

All conferences have online options!

GAQC members get a discount when using code “GAQC” at checkout
Panel discussion – What do you think is the most important takeaway from today’s Web event?

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