



Department of
**Finance &
Administration**

GRANTS WORKSHOP

Single Audit Findings Analysis
and Uniform Guidance Updates

Jonathan Van Dyk, Director of Cash Management/Grants

Workshop Agenda



Uniform Guidance Updates



Audit Findings Overview



Causes of Audit Findings



Utilizing tools to comply



Q & A

Workshop Objectives

1. Understanding the impact of changes to the Uniform Guidance.
2. Understanding the causes of audit findings/noncompliance.
3. Utilizing tools to comply with Allowable/Cost Principles.

Uniform Guidance Updates

- ❖ OMB published 2 CFR Revisions and other related documents:
 - Federal Register - [2 CFR Revisions](#).
 - 2 CFR Revisions [Crosswalk](#).
 - Revised set of Frequently Asked Questions ([FAQs](#)).
 - 2 CFR revision training by OMB (Office of Management and Budget) is available on [Innovation Exchange](#).

Uniform Guidance Updates

❖ Budget period clarification:

- New: *“**Budget period (200.1)** means the time interval from the start date of a funded portion of an award to the end date of that funded portion during which recipients are authorized to expend the funds awarded, including any funds carried forward or other revisions pursuant to § 200.308.”*
- Amended: *“**Period of performance (200.1)** means the total estimated time interval between the start of an initial Federal award and the planned end date, which may include one or more funded portions, or budget periods. Identification of the period of performance in the Federal award per § 200.211(b)(5) does not commit the awarding agency to fund the award beyond the currently approved budget period.”*
- New: *“**Future budget periods (200.211(c)(iv))**. If it is anticipated that the period of performance will include multiple budget periods, the Federal awarding agency must indicate that subsequent budget periods are subject to the availability of funds, program authority, satisfactory performance, and compliance with the terms and conditions of the Federal award.”*

Uniform Guidance Updates

❖ Budget period clarification (Continued):

- Amend: [200.309](#) Modification to Period of Performance provides:
“If a Federal awarding agency or pass-through entity approves an extension, or if a recipient extends under [200.308\(e\)\(2\)](#), the Period of Performance will be amended to end at the completion of the extension. If a termination occurs, the Period of Performance will be amended to end upon the effective date of termination. If a renewal award is issued, a distinct Period of Performance will begin.”
- New: [200.403 \(h\)](#) Factors affecting allowability of costs, stating:
“(h) Costs must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to § 200.308(e).”
- Subaward agreements to now provide “Budget Period” start and end date, as indicated in a new § [200.332\(a\)\(1\)\(vi\)](#).

Uniform Guidance Updates

❖ Statement No.33, Accounting and Financial Reporting for Nonexchange Transactions

4.7 Q-A city government with a June 30 fiscal year-end incurred costs for debris clearing and increased public safety protection as a result of a natural disaster that occurred on May 30, 20X8. The president of the United States declared a natural disaster and approved funding for the region affected. The city applied for federal funding, and it received a notice of award on June 20, 20x8. The city executed the grant agreement on July 5, 20x8. Can the city recognize voluntary nonexchange revenue as of June 30, 20x8, for the reimbursement of costs incurred related to the natural disaster that occurred that fiscal year?

Uniform Guidance Updates

❖ Statement No.33, Accounting and Financial Reporting for Nonexchange Transactions (Continued)

A-No. Paragraph 15 of Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, identifies expenditure-driven grant provisions to be a form of stipulation that “is considered an eligibility requirement... And affects the timing of recognition. There is no award--... The recipient has no asset (receivable)—until the recipient has met the provider’s requirements by incurring costs in accordance with the provider’s program.” In other words, in the absence of an executed grant agreement before the end of the reporting period, the city cannot establish that it has incurred allowable costs and, therefore, cannot establish the existence of an asset (a receivable) at June 30, 20x8; that is the case even when the city has incurred costs that could be reimbursable once the grant agreement is executed. Assets and revenue should be recognized for allowable costs only after the grant agreement is executed.

Uniform Guidance Updates

- ❖ Amend: [200.1](#) Termination definition:

*“Termination means the ending of a Federal award, in whole or in part at any time prior to the planned end of period of performance. **A lack of available funds is not a termination.**”*

- ❖ Amend: Termination Section ([200.340](#), formerly § 200.339) revised as follows:

*“The Federal award may be terminated in whole or in part as follows: . . .
(2) By the Federal awarding agency or pass-through entity, **to the greatest extent authorized by law, if an award no longer effectuates the program goals or agency priorities.**”*

- ❖ New: [200.340\(a\)\(5\)](#):

*“(5) **By the Federal awarding agency or pass-through entity pursuant to termination provisions included in the Federal award.**”*

Uniform Guidance Updates

❖ 200.322 Domestic preferences for procurements:

- a) As appropriate and to the extent consistent with law, the non-Federal entity should, to the greatest extent practicable under a Federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under this award.
- b) For purposes of this section:
 - 1) “Produced in the United States” means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
 - 2) “Manufactured products” means items and construction materials composed in whole or in part of nonferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

Uniform Guidance Updates

❖ 200.215 Never contract with the enemy

Federal awarding agencies and non-Federal entities are subject to the regulations implemented in Never Contract with the Enemy in 2 C.F.R. part 183. These regulations affect grants and cooperative agreements that are expected to exceed \$50,000, are performed outside the United States, including U.S. territories, and are in support of a contingency operation in which members of the Armed Forces are actively engaged in hostilities.

❖ New 2 C.F.R. Part 183

Implements, Title VIII, Subtitle E of the 2015 National Defense Authorization Act (NDAA) (Pub. L. 113-291).

Must exercise “due diligence” (including checking SAM) to avoid providing funds, including subawards and contracts to “a person or entity who is actively opposing the United States or coalition forces involved in a contingency operation in which members of the Armed Forces are actively engaged in hostilities.” Appendix A to proposed Part 183.

Uniform Guidance Updates

❖ [200.216](#) Prohibition on certain telecommunications and video surveillance services or equipment

Recipients and subrecipients are prohibited from obligating or expending loan or grant funds to procure or obtain; extend or renew a contract to procure or obtain; or enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system.

- Uniform Guidance [200.216](#) Prohibition on Certain Telecommunication and Video Surveillance Services or Equipment [FAQ](#) is available.

Uniform Guidance Updates

- ❖ UG Preamble cites to Statutory Definition of “Covered Telecommunications Equipment”:
 - Telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities)
 - For the purposes of public safety, security of government facilities, physical security surveillance of critical infrastructure, and other national security purposes, video surveillance and telecommunications equipment produced by Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities)
 - Telecommunications or video surveillance services provided by such entities or using such equipment.
 - Telecommunications or video surveillance equipment or services produced or provided by an entity that the Secretary of Defense . . . reasonably believes to be an entity owned or controlled by, or otherwise connected to, the government of [the People’s Republic of China].

Single Audit Findings Overview

❖ Single Audit:

- Provides an independent examination of an entity's compliance with laws and regulations in accordance with UG [Subpart F](#) and the [Compliance Supplement](#) (12 types of compliance requirements).
- Is required for a non-Federal entity that expends \$750,000 or more in Federal awards during the non-Federal entity's fiscal year.
- Is a report on compliance for each major program and a report on internal control over compliance. This includes the separate schedule of findings and questions costs.

Single Audit Findings Overview

1. True or False: A non-Federal entity/subrecipient expended \$750,000 of Federal funds during fiscal year 2021. A single audit is required to be conducted for this entity.

Single Audit Findings Overview

- ❖ **Audit Findings:** Per UG [200.1](#), audit findings are deficiencies which the auditor is required to report in the schedule of findings and questioned costs (requirement established by [200.516 \(a\)](#)):
 - 1) Significant deficiencies and material weaknesses in internal control over major programs
 - 2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program
 - 3) Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program
 - 4) Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program

Effect of Noncompliance

- If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, The Federal awarding agency or pass-through entity may:
 1. Impose additional specific award conditions, per UG [200.208 \(c\)](#).
 2. Furthermore, take additional action which could include losing Federal funding (Ineligible for future federal funding or forego grants), per UG [200.339](#).

Audit Findings Follow-up

- ❖ UG [200.511](#) outlines the auditee's responsibility for follow-up and corrective action ([200.1](#)) on all audit findings:
 1. Prepare a summary schedule of prior audit findings (SSPAF).
 2. Prepare a corrective action plan (CAP) for current year audit findings.
- Note:** 1) These templates (SSPAF & CAP) are available on the [Grants Information Sharing](#) website.
- 2) Steps to develop CAP (example) will be on GIS website.

Single Audit Findings Overview

2. True or False: The Fiscal director of a non-Federal entity is administering Program CFDA # 10.555. A single audit finding 2021-005 is related to this program. The Director/management must provide a Corrective action plan and his contact information for this finding.

Audit Findings Follow-up

3. True or False: If the fiscal director does not agree with the audit finding 2021-005, then they do not need to take corrective action.

Single Audit Findings Overview

❖ Tennessee Single Audit Report:

- 2020 Single Audit Report.
- Prior Year Single Audit Reports.
- 4 types of noncompliance were common:
 - Allowable costs/activities
 - Allowable costs/cost principles
 - Eligibility
 - Subrecipient monitoring

Single Audit Findings Overview

❖ 5 Years Comparison

COMPLIANCE REQUIREMENT	Sum of 2020	Sum of 2019	Sum of 2018	Sum of 2017	Sum of 2016
Activities Allowed or Unallowed	4	5	9	12	16
Allowable costs/cost principles	8	10	16	23	20
Cash Management	0	3	2	2	2
Eligibility	8	8	11	16	11
Equipment and Real Property Management	0	0	0	0	0
Financial Statement Findings	0	3	2	0	2
Matching, Level of Effort, Earmarking	3	7	6	7	5
Other	3	5	5	3	6
Period of Performance	1	2	5	7	3
Procurement and Suspension and Debarment	0	0	1	0	1
Program Income	0	1	0	2	1
Reporting	3	7	7	11	8
Special Tests and Provisions	9	8	6	11	8
Subrecipient Monitoring	6	13	11	6	11
Grand Total	45	72	81	100	94

Underlying Causes of Costs Related Findings

- ❖ **Grant funds expended on unallowable items.**
 - Reimbursement to **Subrecipient** for unallowable and non-budgeted items.
 - An employee incorrectly charged time to a wrong grant due to the improper approval and inadequate payroll reconciliation.
- ❖ **Grant expenditures not properly supported.**
 - Reimbursement to **Subrecipient** based on incomplete or missing documentation.
 - Included duplicated expenditures in supporting documentation.

Underlying Causes of Costs Related Findings

- ❖ **The subrecipient's monitoring activities are inadequate and inconsistent.**
 - Sufficient procedures and guidelines not developed to ensure consistent and uniform reviews.
 - Provided insufficient or ineffective training.
 - Continued noncompliance requiring corrective action not identified.
 - Inadequate internal controls over subrecipient monitoring.

Considerations to Comply with Allowable Costs

- ❖ Unique to each Federal Program.

- ❖ Requirements for Allowable or Unallowed can be found in:
 - Federal Statutes and Regulations.
 - Terms and Conditions of the Federal Award.

- ❖ Resource for Determine Allowable Costs
 1. Subpart E
 2. Specific program - **Compliance Supplement**
e.g.) CFDA 10.500, CFDA 93.558

Utilizing Tools to Prevent Audit Findings

❖ Utilizing Tools:

- Pre-award Risk Assessment Template:
 1. Before providing subaward, identify risks for subrecipients.
- Grants Contact Budget Mapping:
 1. Outlined with Grant Contact Template (CPO's)
 2. Updated with the revised Uniform Guidance.
- Allowable vs. Unallowable Costs (AUC) Tool:
 1. Outlined Allowability of Costs.
 2. Aligned with new Uniform Guidance.

Q & A



CONTACT INFORMATION

❖ Carrie Allen

❖ Phone: 615.532-9612

❖ E-mail: Carrie.Allen@tn.gov

❖ Jonathan Van Dyk

❖ Phone: 615.741.9562

❖ E-mail: Jonathan.VanDyk@tn.gov

❖ Mary Lou Goins

❖ Phone: 615.253-8502

❖ E-mail: Mary.Goins@tn.gov

❖ Jeong Robinson

❖ Phone: 615.770-3978

❖ E-mail: Jeong.Robinson@tn.gov