



DAVE YOST
Ohio Auditor of State



Ohio TOS CPIM Conference – CASH 217 Grants Management & Audit Compliance in Single Audits

Presented by: Tim Downing



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Presenter

Tim Downing, CPA

TPDowning@ohioauditor.gov

Quality Assurance & Technical Specialist

Center for Audit Excellence

State of Ohio Auditor's Office



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Agenda

How Do Auditors
Determine What
to Test in a Single
Audit?

Focus Areas For
Audit



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

How Do Auditors Determine What to Test in a Single Audit?



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

“The Single Audit Act of 1984” (Public Law 98-502)

Established requirements for certain gov’s that administer Fed. programs

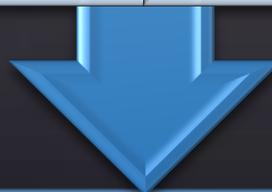
Amended in 1996 (31 USC 75)



OMB Circular A-128

Issued in 1985 to help auditors and recipients implement the new Single Audit Act

Extended to additional entity types in 1990 under A-133 (modified in 2003 & 2007)



Uniform Guidance (UG)

5

Issued 2013; Updated in 2014 & 2015

Supersedes: A-87, A-102, A-133
(A-122, A-21, A-110, A-89 & A-50)



OMB Compliance Supplement

Issued by OMB each year to assist auditors in performing the required audits

Contains sections required to be audited & suggested audit tests

UG Effective Dates

Federal Agencies

Implement policies and procedures by adopting regulations to be effective 12/26/14

Non-Federal Entities (Admin. Req's & Cost Princ's)

Implement for all new Federal awards made on or after 12/26/14, and for certain incremental funding made after that date

Non-Federal Entities (Audit Req's)

Effective for audits of fiscal years beginning on or after 12/26/14

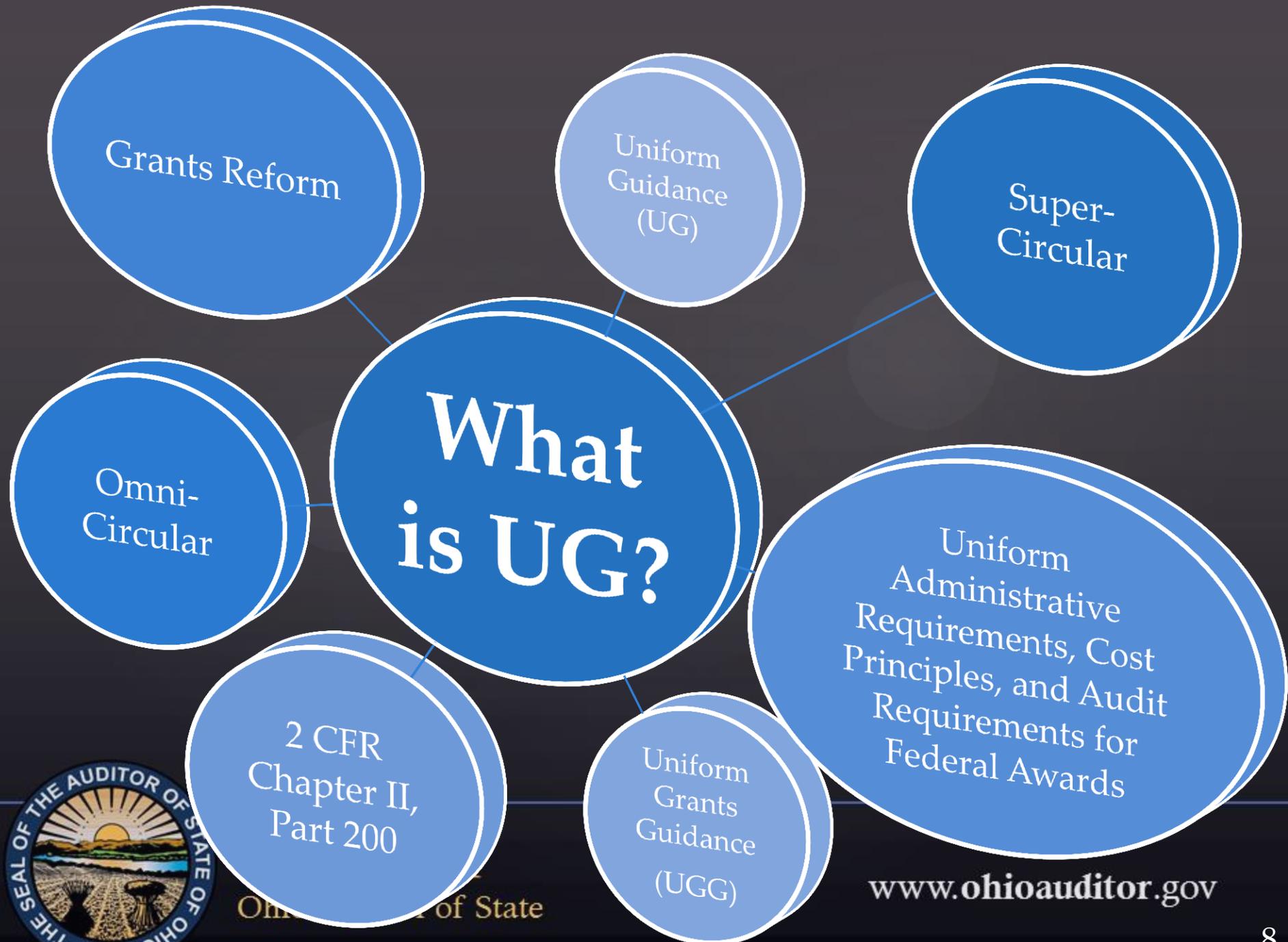
Ie. FYE 12/31/15

Early implementation is not permitted



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov



Ohio Auditor of State

www.ohioauditor.gov

Internal Controls

2 CFR 200.303 (UG)

A strong system of internal controls is required to be in place over federal grants

COSO and GAO's Green Book are suggested best practices



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Focus Areas For Audit



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

12 Compliance Requirements

Controls

Substantive



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

12 Compliance Requirements

A

Activities Allowed
or Unallowed

B

Allowable Costs /
Cost Principles

C

Cash Management

E

Eligibility

F

Equipment & Real
Property Mgmt.

G

Matching, Level of
Effort, Earmarking



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

12 Compliance Requirements

H

Period of
Performance

I

Procurement,
Suspension &
Debarment

J

Program Income

L

Reporting

M

Subrecipient
Monitoring

N

Special Tests &
Provisions



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Auditors Only Test Sections Direct & Material to the Program & Entity

Types of Compliance Requirements

CFDA	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Reserved	Eligibility	Equipment and Real Property Management	Matching Level of Effort Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reserved	Reporting	Subrecipient Monitoring	Special Tests and Provisions
10 – United States Department of Agriculture (USDA)														
10.000*	Y	Y	Y			Y		Y	Y	Y		Y		Y
10.500	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	
10.551 10.561	Y	Y	Y		See Part 4	Y	Y	Y	Y			Y	Y	Y
10.553 10.555 10.556 10.559	Y	Y	Y		Y	Y	Y	Y	Y	Y		Y	Y	Y



DAVE YOST
 Ohio Auditor of State

www.ohioauditor.gov

Section A

Activities Allowed or Unallowed

What Does It Mean

- Was the grant spent only on items allowable per the grant agreement, regulations, guidelines?

Policy on determination of allowable costs now required under UG



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section A

Activities Allowed or Unallowed

Controls

- Look for key control(s) and test
- Ex. If a dept. requested a check for a cost unallowable under the grant agreement, reg's or guidelines, what control would ensure the pmt. was denied

Substantive

- Select transactions and determine if allowable



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section B

Allowable Costs / Cost Principles

What Does
It Mean

- Was the grant spent only on items allowable per the Cost Principles (2 CFR 200 Subpart E)?

Policy on determination of allowable costs now required under UG



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section B

Allowable Costs / Cost Principles

Controls

- Look for key control(s) and test
- Ex. If a dept. requested a check for a cost unallowable under the Cost Principles, what control would ensure the pmt. was denied

Substantive

- Select transactions and determine if allowable under the Cost Principles
- Also includes testing of Indirect Cost Plans and Cost Allocation Plans



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section C

Cash Management

What Does It Mean

- **When advance-funded** - Procedures in place to minimize the time elapsed between the draw-down of the federal funds, and the subsequent disbursement of those funds.
- **When reimbursement basis** – Procedures in place to ensure reimb's are requested only for allowable exp's already incurred.

**Cash Mgmt. policy now
required under UG**



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section C

Cash Management

Controls

- Look for key control(s) and test
- **Ex. Advanced Funded** – what procedure assures funds are spent in time
- **Ex. Reimbursement Basis** – what procedure assures funds are spent before reimbursement is requested

Substantive

- Select cash draws and determine if complied
- Test interest earned on advanced funds for compliance

UG - \$500 of interest earned per year on federal awards may now be kept for admin. exp's.

DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov



Section E

Eligibility

What Does It Mean

- Did only eligible individuals receive benefits?
- Each federal program has unique criteria for determining the individuals, groups of individuals, or subrecipients that can participate in the program, and the amount of assistance for which they qualify.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section E

Eligibility

Controls

- Look for key control(s) and test
- Ex. If an ineligible individual requested benefits, what would ensure they did not receive such benefits?

Substantive

- Select individuals receiving benefits and determine if they should have.
- If eligibility guidelines are built into a computer system and determinations are made by the system, auditors perform tests over system.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section F

Equipment & Real Property Mgmt.

What Does It Mean

- Recipients of federal funds must comply with certain requirements regarding the use, maintenance, and disposal of equipment & real property (e.g. buildings & land) purchased with federal money.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section F

Equipment & Real Property Mgmt.

Controls

- Look for key control(s) and test
- Ex. If equipment or land is purchased with federal dollars, how would the appropriate personnel be made aware and then 'follow the rules' for use/maintenance/disposal (sold or transferred to another department)?

Substantive

- Select equipment / land transactions purchased with the grant funds and inspect (verify it exists).
- Verify required physical inventory was performed every 2 years
- Test if federal assets were properly disposed of and proceeds remitted to Federal agency (if applicable)



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section G

Matching, Level of Effort, Earmarking

What Does It Mean

- **Matching** – Includes requirements to provide (cash or in-kind) contributions (usually nonfederal) of a specified \$ amt. or % to match federal awards.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section G

Matching, Level of Effort, Earmarking

What Does It Mean

- **Level of Effort** – Includes requirements for:
 - A specified level of service to be provided from period to period
 - A specified level of exp's from nonfederal or federal sources for specified activities to be maintained from period to period
 - Federal funds to supplement (use in addition to) and not supplant (use in stead of) nonfederal funding of services



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section G

Matching, Level of Effort, Earmarking

What Does It Mean

- **Earmarking** – Includes requirements that specify the min. and/or max. \$ amt. or % of the programs funding that must/may be used for specified activities, including funds provided to subrecipients



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section G

Matching

Controls

- Look for key control(s) and test
- Ex. If matching applies, how does the entity ensure it is met?

Substantive

- Test matching calculation and sources of matching contribution.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section G

Level of Effort

Controls

- Look for key control(s) and test
- Ex. If LOE applies, how does the entity ensure it is met? If there was a required service or expenditure level, how does the entity ensure it was maintained?

Substantive

- Maintenance of Effort - Test computation and obtain support
- Supplement Not Supplant – Test if total level of services applicable to the requirement increased in proportion to the level of Federal contribution



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section G

Earmarking

Controls

- Look for key control(s) and test
- Generally are very similar to those for matching & LOE

Substantive

- Select transactions and test the \$ amount or %



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section H

Period of Performance

What Does It Mean

- Federal awards may specify a time period during which the funds may be used
- Where a funding period is specified, costs may only be charged to the award resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal Awarding Agency.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section H

Period of Performance

Controls

- Look for key control(s) and test
- Ex. What prevents federal funds from being obligated after the period of performance ends; or paying obligated funds after the required time period?

Substantive

- Test transactions charged to the grant during & after the Period of Performance to ensure the obligation occurred within the Period of Performance
- Also test that the payment was made within the allowed time period



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section I

Procurement, Suspension & Debarment

What Does It Mean

- **Procurement** – Entities must establish procurement procedures covering the solicitation and award of contracts & subcontracts for goods & services.
- **Suspension & Debarment** – Entities must establish procedures to ensure goods and services are not purchased from suspended or debarred parties.

Policy on evaluation & selection of procurement by competitive proposal now required under UG

DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov



Section I

Procurement

Controls

- Look for key control(s) and test
- Ex. What prevents procurement transactions from bid-splitting, or being otherwise procured without competitive bidding, etc?

Substantive

- Test procurement policy
- Select procurements & test against policy

New UG procurement requirements – 2 year grace period to implement.
Micropurchases new level.

DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov



Section I

Suspension & Debarment

Controls

- Look for key control(s) and test
- Ex. What prevents covered transactions from being made with entities that are suspended or debarred?

Substantive

- Test procurements to determine whether the entities policy was followed regarding suspended/debarred parties, before entering into the covered transaction.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section J

Program Income

What Does It Mean

- Gross income earned that is directly generated by a supported activity or earned as a result of the grant during the period of performance
- Examples include: income from fees for services performed, the use or rental of real or personal property acquired under a federal award, principal & interest on loans made with Federal awards
- The following are NOT program income: rebates, credits, discounts, or interest earned on advances of federal funds.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section J

Program Income

Controls

- Look for key control(s) and test
- Ex. What assures program income is complete, and spent for allowable purposes?

Substantive

- Test if program income was properly recorded and used in accordance with guidelines.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section L Reporting

What Does It Mean

- Various financial, performance & special reports are required by federal awards



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section L Reporting

Controls

- Look for key control(s) and test
- Ex. What ensures all required reports for federal awards were accurate, complete, supported by applicable records, and were submitted timely?

Substantive

- Test calculations on selected reports & tie back to underlying records.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section M

Subrecipient Monitoring

What Does
It Mean

- Grants that are passed through to subrecipients are properly monitored.



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section M

Subrecipient Monitoring

Controls

- Look for key control(s) and test
- Ex. What ensures the pass-through entity properly monitors their subrecipients?

Substantive

- Test if required info was contained in pass-through subaward documents
- Was monitoring sufficient, considering entities risk
- Were single audits performed on subrecipients, if required
- Was corrective action timely taken on deficiencies noted in audit

UG adds more prominence to subrecipient monitoring requirements and expands upon them.

DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov



Section N

Special Tests & Provisions

What Does It Mean

- Requirements that are unique to a Federal program
- Are considered additional direct & material requirements that need tested
- Can have multiple Section N's



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section N

Special Tests & Provisions

Controls

- Look for key control(s) and test

Substantive

- Test applicable steps as listed in the OMB Compliance Supplement



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section N

Special Tests & Provisions - Examples

Nutrition Cluster

- Verification of Free & Reduced Price Applications
- School Food Accounts
- Paid Lunch Equity

CDBG

- Citizen Participation
- Required Certifications and HUD approvals
- Environmental Reviews
- Rehabilitations
- Wage Rate Requirements



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Section N

Special Tests & Provisions - Examples

Highway
Plan. &
Constr.

- Replacement of Publically Owned Real Property
- Project Extensions
- Quality Assurance Program
- Project Approvals
- Wage Rate Requirements

Title I

- Participation of Private School Children
- Schoolwide Programs
- Comparability
- Highly Qualified Teachers & Paraprofessionals
- Annual Report Card, High School Graduation Rate
- Assessment System Security



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov

Grants Management & Audit Compliance

Center For Audit Excellence

88 East Broad Street
Columbus, Ohio 43215

Tim Downing

Presenter Phone: (800) 282-0370

Email: tpdowning@ohioauditor.gov



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov



Ohio Auditor of State Dave Yost

88 E. Broad St.

Columbus, Ohio 43215

Phone: (800) 282-0370 Fax: (614) 466-4490

Email: ContactUs@OhioAuditor.gov

www.OhioAuditor.gov