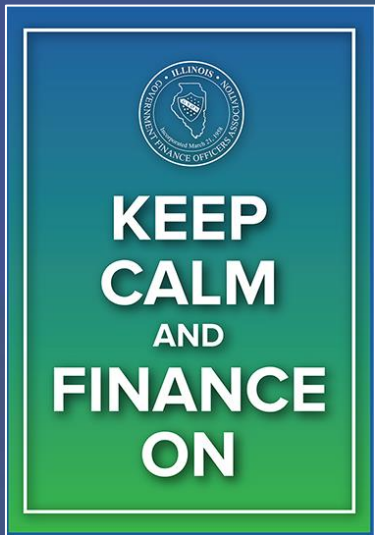


Surviving ARP and Single Audit

Michael Malatt, CPA, Baker Tilly US

Cynthia Park, Baker Tilly US

Rory Vale, Baker Tilly US



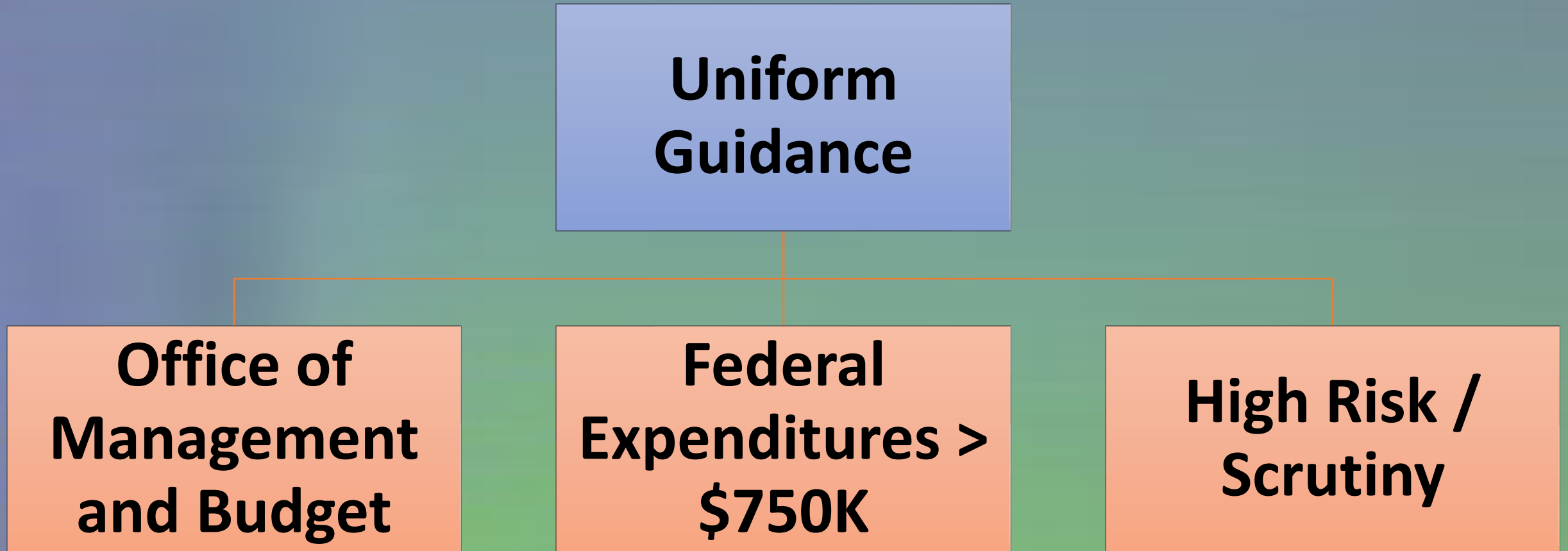
Learning Objectives

1. Gain an understanding of Uniform Guidance (Single Audit) requirements
2. Understand the impact of ARP funding on Single Audit testing
3. Develop planning processes/tools for ARP funding



Single Audit Requirements

What is a Single Audit?



Single Audit Reporting Requirements

Report of Federal Awards

- Schedule of Expenditures of Federal Awards (SEFA)
- SEFA Notes
- Auditor Opinions – UG and GAS
- Schedule of Findings and Questioned Costs

Data Collection Form

Corrective Action Plans (CAPs)

SEFA Example

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF JUSTICE									
BULLETPROOF VEST PARTNERSHIP PROGRAM	16.607					\$1,226	\$1,226	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						<u>\$1,226</u>			
DEPARTMENT OF TREASURY									
COVID-19 CORONAVIRUS RELIEF FUND	21.019	COVID-19	COOK COUNTY, ILLINOIS	N/A		\$13,768	\$13,768	N/A	\$0
COVID-19 CORONAVIRUS RELIEF FUND	21.019	COVID-19	LAKE COUNTY, ILLINOIS	N/A		\$779,408	\$779,408	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						<u>\$793,176</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS						<u><u>\$794,402</u></u>			

What Guides Auditor Testing?

Type A vs. Type B Determinations



```
graph TD; A[Type A vs. Type B Determinations] --> B[Testing Coverage]; B --> C[Major Programs Identified];
```

Testing Coverage

Major Programs Identified

Impact of ARP on Single Audit

ARP Impact on Single Audit

- Increased federal spending = increased likelihood of single audit
- Change in the federal programs tested by your auditors
- IL Statutory impacts – new GATA requirements
 - GAGAS audit
 - Auditor opinion on CYEFR
- Increased oversight from state and federal agencies
- Multi-year impact



When to Report ARP on SEFA

- Per AICPA: For certain fiscal year ends, while costs may have been incurred, award may not have been finalized – Report on SEFA in year award was approved (unless specific guidance from federal agency provided)

Apr-20	May-20	Jun-20	FYE	Jul-20	Aug-20	Dec-20
\$100K	\$200K	\$400K		\$1M	\$300K	
Costs incurred	Costs incurred	Costs incurred		Awarded Costs applied to award from Apr-20, May-20 and Jun-20	Costs incurred	Release F/S and Single Audit

Scenario 3	
What expenditures should be reported on the SEFA at 6/30/20?	\$0 (i.e., because there was no award until Jul-20)
What expenditures should be reported on the SEFA at 6/30/21?	\$1 M (i.e., sum of costs incurred Apr-Aug 20).

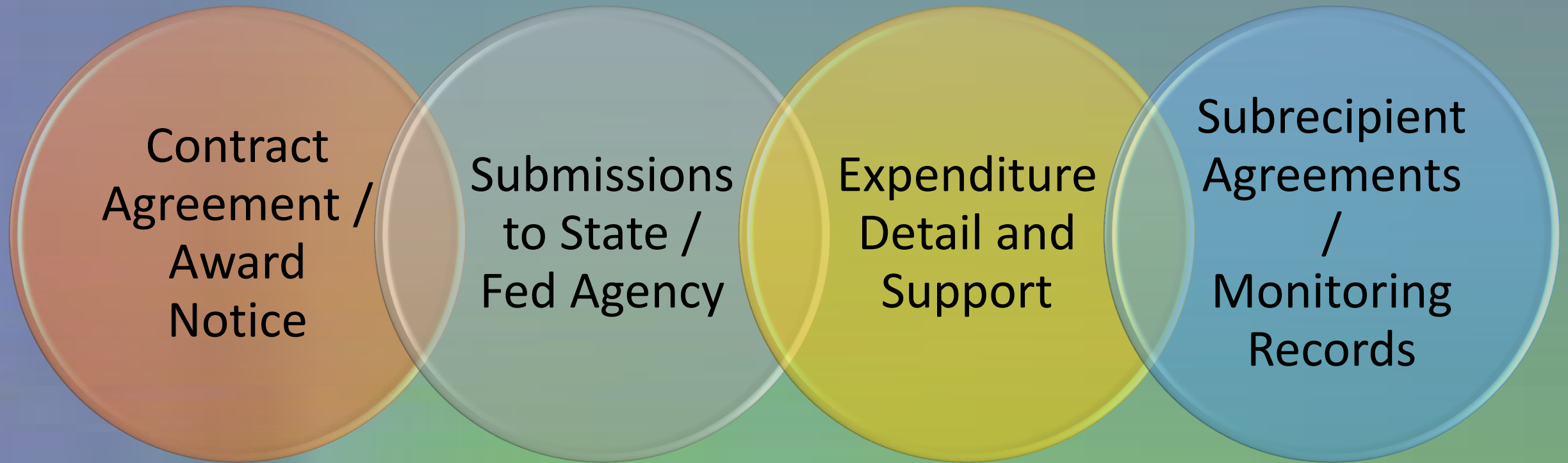
- Other scenarios addressed as well ([Here](#))

What is Being Tested?



The Compliance Supplement for ARP funding sources is not yet available

ARP Funding Documentation to be Tested



How to Prepare for Your Single Audit

SEFA Preparation

- Track grant spending throughout the year
- Research CFDA #s (<https://beta.sam.gov/search?index=cfda>)
- Reconciled total federal expenditures to CYEFR

Document Retention

- Contract agreements and award notices
- Subrecipient agreements (if applicable)
- When applicable, support for eligibility determinations and other compliance requirements

Expenditure Records

- Separate general ledger accounting
- Copies of invoices, payroll records, and other support

Communication

- Confirm timing with auditor – before, during, or after financial audit
- Verify programs to be tested and obtain request list
- Provide finding responses / corrective action plans

Planning Considerations for ARP

ARP Usage of Funds



Public health and economic impacts

- COVID-19 response (operating response, behavioral healthcare, capital investment)
- Negative economic impact response (household, business, and NFP assistance)



Premium pay

- Essential workers (healthcare, retail, public health, warehouse, drivers, janitors, child care, educators, social/human services, and more)



Revenue loss

- Funds received must be used to provide government services, not to pay debt service or replenish reserves (in addition to other restrictions)

ARP Usage of Funds



Investments in infrastructure

- Water and sewer
- Broadband



Investments in housing

- Affordable housing, homelessness, or risk of homelessness
- Funding from various agencies (HUD, EDA, etc.)



Administrative and consulting costs

- Support of effective management/oversight of program
- Compliance with legal, regulatory and other requirements

Ineligible Expenditures

Pension deposits: extra payment outside of normal payment timing that reduces an unfunded liability

May not offset reduction in net tax revenue that results from a change in law, regulation or administrative interpretation

Cannot be used as a match to federal programs

Subject to provisions in the Uniform Guidance, including cost principles (different that CRF)

Where to Start with FRF

1. Confirm/track your allocation amount
2. Determine who needs to be involved in the spending decisions
3. Form a committee with the appropriate personnel (management, elected officials, citizens)
4. Determine the needs within the community
5. Prepare a budget or wish list of spending categories
6. Determine if costs are eligible under the guidance
7. Develop program administrative rules
8. Review policies and procedures surrounding spending to ensure they are up-to-date and compliant with federal guidelines (timekeeping, procurement, subrecipient monitoring)
9. Consider other federal funding to determine if a single audit will be needed

Exploring Other Funding Opportunities

Economic
Development
Administration
(EDA) programs

Coronavirus
Capital Projects
Fund

Emergency
Connectivity Fund

Additional funding
opportunities with
DOT, FEMA, and
EPA

Strategy Considerations

STRATEGIC NEEDS ASSESSMENT & SPENDING PLAN

- Develop understanding of revenue loss, programmatic and department needs and strategy for deployment of allocation

TREASURY RULE MONITORING

- Ongoing review related to Treasury guidelines and state-determined expenditure eligibility

PROGRAM DEVELOPMENT

- Establish procedures, mechanisms and administration for fund distribution to businesses, not-for-profit organizations and individuals

COMPETITIVE FUNDING PURSUIT

- Develop competitive grant opportunities with assistance around strategy, eligibility, applications and grant implementation

COMPLIANCE

- Compliance documentation and reporting for funds allocated by Treasury, state and grant programs

QUESTIONS?