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# Single Audit Findings

State of Vermont Training

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# Learning Objectives

Identify common single audit findings for governments.

Identify standard practices to avoid or resolve findings.

Discuss the recipient's responsibility for the corrective action plan and summary of prior year findings.



# Overview: Single Audit Results

## Purpose of a Single Audit

- A Single Audit streamlines the audit of Federal financial assistance at the entity level because it allows for one audit to cover the audit requirements for multiple Federal awards.
- Schedule of findings and questioned costs (SFQC) is included in each Single Audit to communicate the results of the audit to Federal program management officials, those officials charged with governance at the entity, and other Single Audit stakeholders.



# Overview: Single Audit Results

- In accordance with 2 CFR § 200.512(e), a non-Federal entity must submit copies of any management letters issued by the auditor if requested by a Federal agency or pass-through entity
- Public Viewing in a Single Audit
  - Single Audit reports and data collection information are available on the GSA FAC website: (The Federal Audit Clearinghouse ([fac.gov](https://fac.gov))).



# What is a Single Audit Finding?



Audit finding means deficiencies which the auditor is required by 200.516 to report in the schedule of findings and questioned costs.



All documentation should be available when it comes time to justify expenses and support reporting to either grantor or your external auditor.

# What is Reported in a Single Audit Finding?

## **200.516 Audit findings.(a) Audit findings reported.**

The auditor must report the following as audit findings in a schedule of findings and questioned costs:

- Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs.
- 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 federal program which is not audited as a major program.



# What is Reported in a Single Audit Finding?

- The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.
- Known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.
- Instances where the results of audit follow up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511(b) materially misrepresents the status of any prior audit finding.





# Single Audit Findings: Effects on the Grantee



The consequences of being found noncompliant can be costly and time-consuming. If found noncompliant, the federal government may withhold funds until the deficiency is remedied, suspend or terminate the award, initiate suspension or debarment proceedings or withhold further federal awards for the program. The government may also pursue other available legal actions.

# Common Single Audit Findings

## Internal Control

- The UG states in §200.61 Internal Controls means a process implemented by a non-Federal entity [e.g., institution of higher education], designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - a) Effectiveness and efficiency of operations; Internal control structure is not documented or consistently performed
  - b) Reliability of reporting for internal and external use; and
  - c) Compliance with applicable laws and regulations



# Common Single Audit Findings

## Internal Control: Non-Federal entities must:

- Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- Evaluate and monitor compliance;
- Take prompt action when noncompliance is identified;
- Take reasonable measures to safeguard personally identifiable information and other information designated as sensitive.

## Findings:

- Lack of written procedures as a result continuity of procedures
- Increase in electronic processes - lack of documentation to support review and approval



# Common Single Audit Findings

## Allowable Costs/Cost Principles (2 CFR Subpart E):

Noncompliance with the rules for charging costs to federal awards.

- Errors or lack of proper oversight regarding activities allowed and allowable costs may result in questioned costs
- Increase monitoring from grantors

Payroll - most common

- Allocation of time spent for employees who work on multiple grants or activities within the organization needs to be documented
  - Compensation must be allocated based on actual time spent on each grant in proportion to the overall time worked during the time period and documented



# Common Single Audit Findings

## Allowable Costs/Cost Principles (2 CFR Subpart E)(cont.):

- Lack of written procedures for budgetary reporting of time and effort process
- Budgetary reporting – lack of documentation to support adjustments to employee hours charged to the grant



# Common Single Audit Findings

Procurement

- Failure to follow the policies and procedures for procuring goods and services. Policy, at least, should meet UG requirements.
- Inadequate support for sole source vendor or emergency procurements
- Lack of documentation to support contractor's suspension and debarment status. Verification of suspension and debarment status **MUST** be before entering into a contract over \$25,000. This applies to agreements with:
  - Professional service contracts with businesses that typically include architects, surveyors, engineers and consultants.
  - Subrecipient agreements with other local governments. Many local governments give subawards to other local governments without verifying their suspension status.



# Common Single Audit Findings

Procurement  
(continued)

- Lack of supporting documentation in the vendor file. (i.e. vendor selection, 3 quotes for small purchases)
- Grantor Penalties
  - As a primary tier participant, your disclosure of unfavorable information about yourself or a principal under § 180.335 will not necessarily cause a Federal agency to deny your participation in the covered transaction. The agency will consider the information when it determines whether to enter into the covered transaction. The agency will also consider any additional information or explanation that you elect to submit with the disclosed information.



# Common Single Audit Findings

Procurement  
(continued)

- If a Federal agency later determines that you failed to disclose information under § 180.335 that you knew at the time you entered into the covered transaction, the agency may:
  - a) Terminate the transaction for material failure to comply with the terms and conditions of the transaction; or
  - b) Pursue any other available remedies, including suspension and debarment.



# Common Single Audit Findings

## Subrecipient Monitoring

- Subaward does not contain all required information
- Verbal communications and formal email do not meet the requirement of having a written agreement. A written agreement is a requirement of the Uniform Guidance. You need to establish a periodic monitoring process to ensure funds are being used appropriately.
- Lack of monitoring and/or monitoring documentation not maintained.
- Lack of written procedures over subrecipient monitoring process.
- FFATA reporting not performed (most common finding)
- Lack of proper identification of noncompliant subrecipients and noncompliance remedies





# Common Single Audit Findings

## Reporting

Reporting errors are generally not attributable to the level of difficulty; rather, the findings are primarily attributable to a lack of internal controls or a lack of supporting data for amounts reported.

- Untimely and inaccurate reporting
- Special, performance and FFTA reports are not filed timely
- Submitted reports are not supported by documentation
- Numerous errors in the reported data (most qualitative finding)



# Common Single Audit Findings

## Program Income

- Information on what is and is not considered program income can be found in **2 CFR 200.80**
  - Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in paragraph 200.307.
    - Program income includes but is not limited to income from fees for services performed,
    - the use of rental or real or personal property acquired under Federal awards,
    - the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds.



# Common Single Audit Findings

Program  
Income  
(Continued)

- Principal and interest on loans made with Federal award funds.
- Interest earned on advances of Federal funds is not program income.
- Improper identification, calculation, or use of income generated by federal award activities.
  - Over draw of federal funds
  - Funds used to support unallowed costs

# Common Single Audit Findings

## Prevailing wages (Davis-Bacon)

State and federal prevailing wage requirements differ significantly, and you must comply with both for federally funded projects. On August 23, 2023, the Department published in the Federal Register the final rule, “Updating the Davis-Bacon and Related Acts Regulations”. The final rule took effect on October 23, 2023.

- The Davis-Bacon and Related Acts apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works.



# Common Single Audit Findings

## **Prevailing wages (Davis-Bacon) (Continued)**

Davis-Bacon Act and Related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.

For prime contracts in excess of \$100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular rate of pay for all hours worked over 40 in a workweek. The overtime provisions of the Fair Labor Standards Act may also apply to DBA-covered contracts.



# Common Single Audit Findings

## Prevailing wages (Davis-Bacon) (Continued)

Per title-48/section-970.2204-1-1, Particular work items falling within one or more of the following criteria normally will be classified as non-covered by the Davis-Bacon Act, hereinafter referred to in this section as the “Act.”

- Work and services that are a part of operational and maintenance activities or which, being very closely and directly involved therewith, are more in the nature of operational activities than construction, alteration, and/or repair work.
- Assembly, modification, setup, installation, replacement, removal, rearrangement, connection, testing, adjustment, and calibration of machinery and equipment.



# Common Single Audit Findings

## Prevailing wages (Davis-Bacon) (Continued)

- Experimental development of equipment, processes, or devices, including assembly, fitting, installation, testing, reworking, and disassembly. This refers to equipment, processes, and devices which are assembled for the purpose of conducting a test or experiment.
- Experimental work in connection with peaceful uses of nuclear energy. This refers to equipment, processes and devices which are assembled and/or set in place and interconnected for the purpose of conducting a test or experiment.
- Emergency work to combat the effects of fire, flood, earthquake, equipment failure, accident, or other casualties, and to restart the operational activity following the casualty.





# Common Single Audit Findings

## Prevailing wages (Davis-Bacon) (Continued)

- Decontamination, including washing, scrubbing, and scraping to remove contamination; removal of contaminated soil or other material; and painting or other resurfacing, provided that such painting or resurfacing is an integral part of the decontamination activity and performed by the employees of the contractors performing the decontamination.
- Burial of contaminated soil waste or contained liquid; however, initial preparatory work readying the burial ground for use (e.g., any grading or excavating that is a part of initial site preparation, fencing, drilling wells for continued monitoring of contamination, construction of guard or other office space) is covered.



# Common Single Audit Findings

## Prevailing wages (Davis-Bacon) (Continued)

CSLFRF: Davis-Bacon Act requirements (prevailing wage rates) do not apply to projects funded solely with award funds from the SLFRF program, under the public health and negative economic impacts, revenue loss, water, sewer, and broadband infrastructure, emergency relief from natural disasters eligible use categories, (<https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf>, page 49, question 6.15, March 29, 2024).

EXCEPTION: If the CSLFRF funds are being used in conjunction with other Federal funds that contain Davis-Bacon wage requirements, then that will require Davis-Bacon to be followed for the CSLFRF portion of funds used for that project as well.



# Corrective Action Plan (CAP)

§200.511 of the Uniform Guidance includes specific requirements for the CAP, **auditee must prepare a CAP**, in a document separate from the auditor's findings

The CAP addresses each audit finding included in the current year auditor's reports.

- Provides the name(s) of the contact person(s) responsible for corrective action,
- The corrective action planned, and the anticipated completion date.
- Includes an explanation and specific reasons if the auditee does not agree with the audit findings or believes corrective action is not required



# Corrective Action Plan (CAP)

Auditor may reference or summarize the CAP for the purpose of presenting the “views of responsible officials” element of an audit finding, doing so does not meet the Uniform Guidance requirement for the auditee to prepare a CAP.

Under the Uniform Guidance, the CAP and the SSPAF are required to address “audit findings” as defined in the Uniform Guidance which includes findings reported under Government Auditing Standards (Yellow Book) as well as findings related to federal awards.

AICPA Audit Guide, Government Auditing Standards and Single Audits, contains a recommended practice tip that auditors request that the CAP and SSPAF be placed on the auditee’s letterhead.



# Summary of Single Audit Prior Award Findings (SSPAF)

§200.511 also states that the SSPAF must be prepared by the auditee.

SSPAF should be included (not required) in a document separate from the auditor's findings, including the SSPAF as part of the auditor's report may lead federal agencies and other users of the report to question who prepared the information. (source: [RFP Process Checklist \(aicpa.org\)](#))



# Standard Practices: Avoid the Finding

Recipients of federal funds must comply with the accounting guidelines and award management principles set forth in the Federal Office of Management and Budget's ("OMB") CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements guidance ("Uniform Guidance").

Implementing comprehensive internal compliance policies, procedures, and controls may help prevent a potential audit finding.

Keep program and accounting staff educated on Uniform Guidance compliance. New changes are not always being communicated by grantor.

There are many steps in a single audit so keep coordinated on due dates and project management both internally and with your auditor.



# Standard Practices: Avoid the Finding

Verify that all relevant policies are documented and available.

Many transactions are only allowable if under written policies (especially compensation).

The auditor will test that your entity's policies to validate that compliance requirements will be met and then test transactions against your policy (procurement, subrecipient monitoring).

# Standard Practices: Avoid the Finding

Considering the use of accounting software to separately track all revenues and expenses of each award.

Retain documentation throughout the year supporting any judgments on why a cost was reasonable, allocable, allowable and necessary.

- Require records be maintained to support the allocation of payroll
- Timesheets may help determine actual versus budget on an ongoing basis
- Review and understand cost allocation methods and match to the actual cost allocated



# Standard Practices: Avoid the Finding

Verify corrective action plans are implemented or document why not.  
Auditors will follow up on management responses to prior year findings

## Reporting

- Maintain submitted report and related documentation.
- For electronically submitted reports, print out the report along with the electronic communications supporting submission.
- Maintain evidence of supervisory review.

# Standard Practices: Avoid the Finding

## Period of Performance

- Identifying and establishing internal controls to document and adhere to the period of performance.
  - Period of performance is based on the obligation date not dates the grant expenditures are paid. These dates may or may not be the same.
  - Understand pre-award obligation as well as liquidation of obligations.
  - Each grant should be separately tracked.
  - Adjust for spending extensions.



# Standard Practices: Avoid the Finding

## Procurement

- Train staff involved with federal procurement requirements
- Verify suspension and debarments before the contract
  - The U.S. General Services Administration [explains](#) contractors can be suspended or debarred for a variety of violations, including delinquent federal taxes exceeding \$3,000, fraud, bribery and federal criminal law violations. Suspensions can last up to 12 months, whereas debarments are usually three years in length. (source: [Frequently Asked Questions: Suspension & Debarment | GSA](#))



# Standard Practices: Avoid the Finding

## Procurement

- Suspension and debarment status of both contractors and subrecipients
  - Contractors: \$25,000 or more; paid all or in part with federal funds. Applies to each contract or total purchases from one contractor during the audit period for like-kind items.
  - Subrecipient: No threshold. Applies to every new subaward.



# Standard Practices: Avoid the Finding

## Procurement – suspension and debarment

1. Obtain a signed certificate from the contractor attesting it is not suspended or debarred.
2. Insert a clause into the contract stating the contractor is not suspended or debarred. *Note: The clause must be part of the contract.*
3. Check the contractor's status on the SAMS.gov website before contracting or purchasing.
  - ***Note: Be sure you keep documentation that demonstrates you performed the search, including the date. For example, save a screen shot that includes the date you performed the search.***



# Standard Practices: Avoid the Finding

## Program income

- Understand how the grantor identifies program income.
- Determine if program income is to be used in addition to federal grant, in place of federal funding or to share the cost of the program.
- Develop internal controls and procedures to properly identify, report, and use the program income based on the grantor's requirements.

# Final Points

- Single Audit Extensions
  - The Uniform Guidance does not provide authorization for individual audit submission extensions. Global audit submission extensions are considered and granted by OMB when necessary.
    - Although not required, a non-Federal entity is encouraged to notify its designated Federal cognizant or oversight agency of the impending late submission of its non-Federal audit.
    - OMB revised the Uniform Guidance and released the final updated version in April 2024. In accordance with revised 2 CFR § 200.512(a)(2), the Federal cognizant or oversight agency may authorize individual audit submission extensions when the nine-month timeframe would place an undue burden on the auditee.



# Final Points

- NEW UG: The effective date for the final guidance is October 1, 2024. Federal agencies may elect to apply the final guidance to Federal awards issued prior to October 1, 2024, but they are not required to do so.

**Reach out to your auditor with questions throughout the year.  
We are here to help!**





Questions?



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