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Compliance Requirements Of a Single Audit

March 21, 2024



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Introductions

- Elizabeth McMasters, CPA
 - Director – Green Bay, WI
 - 10+ years of experience with Wisconsin State and Local Governments
 - Interests – Camping and Reading
- Hayle Lepak, CPA
 - Director – Green Bay, WI
 - 8 years of experience with Wisconsin State and Local Governments
 - Interests – Chasing 3 boys



Learning Objectives

- Understand your Federal and State Funding
- Understanding the Compliance Requirements
- Common Program Findings
 - Child Nutrition
 - ESSER
 - Medicaid Cluster (School Based Services)
 - Title I
 - Special Education



Where to Start

Compile a list of all federal and state funding

- Use the prior year schedule of awards
- Gain an understanding of any new funding through resources like the DPI AIDS Register
- Review your ledger for new or changed funding
 - R 6XX – State Sources
 - R 7XX – Federal Sources
 - R 5XX – Revenue from Intermediate Sources (may contain state/federal grants)
 - Expenses – use project codes that can be tied to revenues and expenses to easily pull reports



Where to Start (Continued)

Know your thresholds

- \$750,000 federal **expenditures** in a year triggers a single audit
- Understand what grants may extend across more than one fiscal year and be able to track those totals so expenditures get picked on the SEFA in the right year
- Alternative Examination Engagement for ARPA funds

When there is a federal single audit, there is a Wisconsin state single audit as well



Federal Funds Procedural Manual

Contains information and policies relating to:

- Federal Grant Subaward Information Form
- Budget/Allowable Use of Funds
- Purchasing
- Travel
- Conflict of Interest
- Cash Management
- Compensation – Personal Services Expenses and Reporting
- Equipment and Safeguarding Assets
- Etc., etc.



Grant Information Form Example

Federal Grant Name: Special Education Grants to States		Federal Award Number: H027A210000	
CFDA Number 84.027A	CFDA Name Special Education Grants to States	Name of Federal Agency (i.e. USDA, USDE) US Department of Education	
Name of Federal Pass-through Entity (DPI, WFD) DPI		Federal Pass-through Entity Contact Information	
2022-050182-DPI-FLOW-341	DPI Project Code 341	DPI Source Code 730	
Grant Award Amount \$711,000.00	Grant Carryover Amount \$900,000	Total Amount with Carryover \$1,511,000	
Grant Date of Award 7/01/2022	Grant Start Date 7/1/2022	Grant End Date 6/30/2023	Grant Submitted by: Jane Doe



Grant Information Form Example

GRANT INFORMATION FORM

Grant Name: _____
 ALN Number: _____
 State ID: _____

Type of Compliance Requirement	UGG (sam.gov) or Grant Specific Applies Y/N	Comments
A. Activities Allowed or Unallowed	_____	_____
B. Allowable Costs/Cost Principles	_____	_____
C. Cash Management	_____	_____
D. Reserved	N/A	N/A
E. Eligibility	_____	_____
F. Equipment & Real Prop Management (Tracking & Disposal)	_____	_____
G. Matching Level of Effort, Earmarking	_____	_____
H. Period of Performance	_____	_____
I. Procurement / Suspension / Debarment	_____	_____
J. Program Income	_____	_____
K. Reserved	N/A	N/A
L. Reporting	_____	_____
Reimbursement / Cost / Performance	_____	_____
M. Subrecipient Monitoring	_____	_____
N. Special Tests and Provisions	_____	_____



Grant Information Needed

Grant agreement and award letter

- Grant award period
- Award amount and budget
- Assistance Listing Number (ALN) – previously called CFDA number
 - If this is not in the agreement, request it from the granting agency
- State ID Number
 - If this is not in the agreement, request it from the granting agency
- Pass-through ID number (needed for SEFA/SESA)
 - If this is not in the agreement, request it from the granting agency
 - Many are available on DPI's website
- Various requirements
 - Progress report requirements, match requirements, final claim deadlines, audit requirements, etc.



Uniform Guidance (UG) Compliance Requirements

- Grantee is responsible for developing internal controls over compliance with these requirements and monitoring that controls are working, and compliance is met
- Matrix of Compliance Requirements in OMB Compliance Supplement lists which ones are applicable to certain ALNs. [2023 Compliance Supplement – 2 CFR Part 200 Appendix XI \(whitehouse.gov\)](#)

<u>A. Activities Allowed or Unallowed</u>
<u>B. Allowable Costs/Cost Principles</u>
<u>2 CFR Part 225/OMB Circular A-87</u>
<u>2 CFR Part 220/OMB Circular A-21</u>
<u>2 CFR Part 230/OMB Circular A-122</u>
<u>C. Cash Management</u>
<u>D. [Reserved]</u>
<u>E. Eligibility</u>
<u>F. Equipment and Real Property Management</u>
<u>G. Matching, Level of Effort, Earmarking</u>
<u>H. Period of Performance</u>
<u>I. Procurement and Suspension and Debarment</u>
<u>J. Program Income</u>
<u>K. [Reserved]</u>
<u>L. Reporting</u>
<u>M. Subrecipient Monitoring</u>
<u>N. Special Tests and Provisions</u>



Grant Information Form Example

GRANT INFORMATION FORM		
Grant Name:	_____	
ALN Number:	_____	
State ID:	_____	
Type of Compliance Requirement	UGG (sam.gov) or Grant Specific Applies Y/N	Comments
A. Activities Allowed or Unallowed	_____	_____
B. Allowable Costs/Cost Principles	_____	_____
C. Cash Management	_____	_____
D. Reserved	N/A	N/A
E. Eligibility	_____	_____
F. Equipment & Real Prop Management (Tracking & Disposal)	_____	_____
G. Matching Level of Effort, Earmarking	_____	_____
H. Period of Performance	_____	_____
I. Procurement / Suspension / Debarment	_____	_____
J. Program Income	_____	_____
K. Reserved	N/A	N/A
L. Reporting	_____	_____
Reimbursement / Cost / Performance	_____	_____
M. Subrecipient Monitoring	_____	_____
N. Special Tests and Provisions	_____	_____



Part 2 – Matrix of Compliance Requirements

- [Part 2 - Matrix of Compliance Requirements \(whitehouse.gov\)](https://www.whitehouse.gov)
- Indicates the compliance requirements that the federal government has determined are subject to audit by Assistance Listing Number (ALN)
- Other requirements by the grant award are still applicable, however they may NOT be subject to audit
- Auditors are not prohibited from expanding if they are aware of risks due to fraud, waste, or abuse



Matrix of Compliance Requirements

Requirement	A	B	C	E	F	G	H	I	J	L	M	N
	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Program Number												
10.000 (no matrix)												
10.500	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N
10.511	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N
10.512	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N
10.514	Y	Y	Y	N	N	N	N	N	N	Y	Y	N
10.515	Y	Y	Y	N	N	N	N	N	N	Y	Y	N
10.516	Y	Y	Y	N	Y	N	N	N	N	Y	Y	N
10.517	Y	Y	Y	N	Y	N	N	N	N	Y	Y	N
10.520	Y	Y	Y	N	Y	N	N	N	N	Y	Y	N
10.521	Y	Y	Y	N	Y	N	N	N	N	Y	Y	N
10.542	Y	N	N	Y	N	N	N	Y	N	Y	N	N
10.551/10.561 (SNAP Cluster)	Y	Y	N	N	N	Y	N	Y	N	N	Y	Y
10.553/10.555/10.556/ 10.559/10.582 (Child Nutrition Cluster)	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y



Requirement	A	B	C	E	F	G	H	I	J	L	M	N
	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
10.553/10.555/10.556/10.559/10.582												
Child Nutrition Cluster	Y	Y	N	Y	N	N	N	Y	N	Y	N	Y
84.010												
Title I	Y	Y	N	Y	N	Y	N	N	N	Y	Y	Y
84.027/84.173												
Special Education Cluster (IDEA)	Y	Y	N	N	Y	Y	Y	Y	N	N	Y	N
84.425												
ESSER	Y	Y	N	N	Y	Y	N	N	N	Y	Y	Y
93.778												
Medicaid Cluster	Y	Y	N	Y	N	Y	N	N	N	Y	N	Y



Part 3 – Compliance Requirements by Program

- [Part 3 - Compliance Requirements \(whitehouse.gov\)](https://www.whitehouse.gov)
- Gain an understanding of what your auditors will be looking at by program

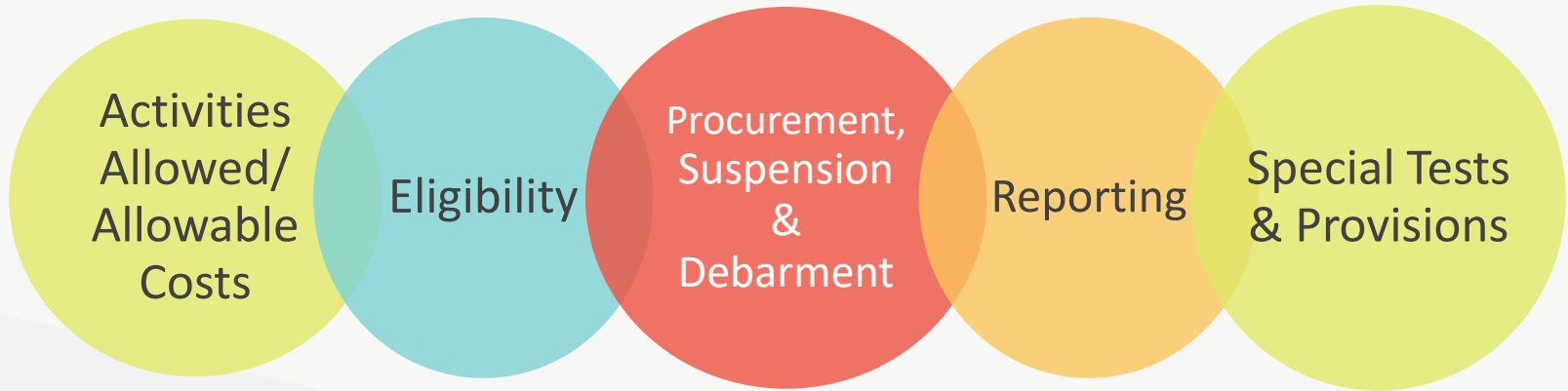




Child Nutrition



Child Nutrition – Applicable Requirements



Common Child Nutrition Findings

- Procurement, Suspension & Debarment
- Special Tests and Provisions – Verification



Common Nutrition - Common Findings

**Procurement, Suspension &
Debarment**

**Special Tests & Provisions -
Verification**



Child Nutrition - Procurement

Policy

- Enhance procurement policy aligns with Uniform Grant Guidelines
- Document, document, document

Monitoring

- Establish who is responsible
- Establish who reviews
- Document, Document, Document



Uniform Grant Guidance - Procurement

- Micro purchase: \leq \$10,000 (many Districts use \$2,000 or \$5,000)
- Small Purchase or Quotes: $>$ \$10,000 and \leq \$250,000
- Sealed Bids and Proposals: $>$ \$250,000
- Noncompetitive Procurement – One or more of the following circumstances must apply
 - Dollar value does not exceed micro purchase
 - Item is available only from a single source
 - Cannot permit a delay from publicizing a competitive solicitation
 - Federal awarding agency or pass-through (DPI) authorizes



Example Policy Excerpts

- Teachers and staff create paper or electronic requisitions.
- All requisitions are manually or electronically approved by the building principal, Director, Business Manager and/or District Administrator.
- After the PO makes it through the approval process it is printed or electronically emailed and processed by the business office.
- Vendor receives a signed printed or a signed electronic copy of the purchase order.
- Blanket purchase orders for goods or services are valid only for the time period and amount indicated on the purchase order. Examples of blanket POs include wood and supplies purchased from the local lumberyard or hardware store for tech education classes throughout the year. Extension of the commitment beyond that time and/or amount shall be confirmed by a new purchase order. Blanket POs must go through the same approval process as regular POs.
- All purchase of materials, equipment or supplies and all public work contracts of \$10,000 or more shall be made on the basis of competitive bids or quotations.
- Examples: Bids are not required for:
 - Textbooks, books, tapes, films, workbooks, educational kits and periodicals.
 - Replacement parts for existing equipment where the value of the replacement parts is estimated to be less than 50% of the total value of the equipment.
 - CESA contracts.
 - Maintenance contracts of at least one year's duration where the maintenance is to be performed on a routing or as needed basis on the specific equipment and shall include the additional cost of all repairs or replacement parts.

Purchases will be made from the lowest and best bid submitted, based upon:

- a. The lowest price meeting the specifications.
- b. The quality of service or product bid.
- c. The service provided for installation, maintenance, and repair.
- d. Guarantee and warranty of the service or product.
- e. Guarantee of price, plus promptness of service or product.
- f. Promptness of delivery.



Self-Reflect

- How is the District ensuring that the appropriate number of quotes are obtained before entering a transaction?
 - Establish responsibility to appropriate individuals and enhance District performs every year
 - Quotes can be as simple as web search/phone call (**remember to document**)
- How does the District document noncompetitive procurement?
- Gain an understanding of amounts spent BY VENDOR to understand the common vendors and what procurement method should be followed



Child Nutrition – Suspension & Debarment

Policy

- Understand Suspension & Debarment Policy

Monitoring

- Establish who is responsible
- Establish who reviews
- **Document, Document, Document**



Uniform Grant Guidance – Suspension & Debarment



Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred



“Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed **\$25,000** or meet certain other criteria as specified in 2 CFR section 180.220)



All non-procurement transactions entered by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215

Example Policy Excerpts

4. **VENDOR DEBARMENT OR SUSPENSION**

The County is prohibited from contracting with or making sub awards under “covered transactions” to parties that are suspended or debarred or whose principals are suspended or debarred under 2 CFR 200.213.

“Covered transactions” include procurement contracts for goods and services awarded under a grant or cooperative agreement. All non-procurement transactions entered into by the County (i.e., sub awards to sub recipients), irrespective of amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

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All county Departments are required to verify vendor eligibility by searching under the suspension and debarment list on the www.sam.gov website.



Self-Reflect

- What is included in the policy to enhance a vendor is not suspended or debarred?
 - SAMS.gov search (**RETAIN DOCUMENTATION**)
 - Collecting a certification from the entity
 - Adding a clause or condition to the contract
- Who is responsible for reviewing to enhance each of the compliance requirements are met?



Child Nutrition – Special Tests and Provisions

- Verification of Free and Reduced-Price Applications
- Common issue include:
 - Only one individual involved in process
 - Failure to follow up and/or update category in system





ESSER



ESSER– Applicable Requirements

- Activities Allowed/Allowable Costs
- Equipment Real Property Management
- Matching, Level of Effort, Earmarking
- Reporting
- Subrecipient Monitoring (typically N/A for Districts)
- Special Tests and Provisions



ESSER – Common Finding

Special Tests & Provisions – Davis Bacon



Uniform Grant Guidance – Wage Rate Requirements

- All laborers and mechanics employed by contractors or subcontractors to work on construction contracts more than \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor
- Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations
 - This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls)



Self-Reflect - ESSER

- What plans are in place for spending ESSER dollars and are there any contractor relationships involved?
- Who is responsible for collecting the certified payrolls?
- Who is responsible for monitoring compliance overall?
- Does someone other than the preparer review grant claims prior to submission?
 - How are you documenting the review?

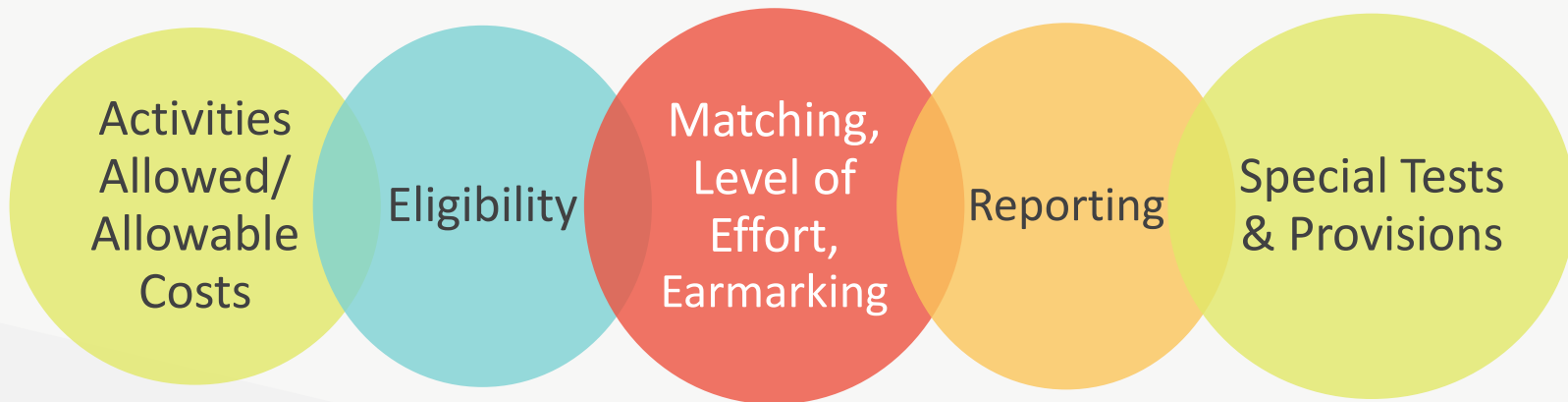




Medicaid Cluster - School Based Services



Medicaid Cluster – Applicable Requirements



Common Medicaid Findings

- Activities allowed and disallowed – Must have a signed form M-5
- Reporting – enhance quarterly and annual cost report submissions are reviewed, and support is retained for amounts reported
- Special tests and provisions – Enhance IEP is signed by the appropriate person
 - (i.e., Annual nursing prescription must be signed by physician or advanced practice nurse)



Self-Reflect - Medicaid

- Who ensures IEPs are reviewed annually?
- Who verifies Form M-5 is retained for each student receiving services?
- Who reviews quarterly and annual submissions?
- Who verifies prescriptions for nursing services are signed by the appropriate person?





Title I



Title I – Applicable Requirements

Activities
Allowed/Allowable
Costs

Eligibility

Level of Effort

Reporting

Subrecipient
Monitoring

Special Tests and
Provisions



Common Title I Findings

- We haven't seen consistent findings with Title I
- Areas where we could see problems occurring:
 - Documentation of Time and Effort
 - Review of grant claims



Time and Effort Policy Example

1. POLICY

All employees whose compensation is paid, in full or in part, with grant funds (including those used to meet a match/cost share requirement) must maintain time and effort records in accordance with the grant standards. Employees must provide the information required on a timely basis and in accordance with all procedures. Time and effort records must be maintained in order for the County to charge employee compensation costs to grant; thus, compliance with these procedures prevents disallowance of salary and wages charged to a grant.

Compensation for employees engaged in work on grant awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the County. In cases where similar work for grant awards is not found in other activities of the County, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the County competes for the kind of similar work involved.



Self-Reflect – Title I

- Who is responsible for reviewing to enhance each of the compliance requirements are met?
- Does someone other than the preparer review grant claims prior to submission?
 - How are you documenting the review?





Special Education Cluster (IDEA)



IDEA – Applicable Requirements



Activities Allowed/Allowable Costs



Equipment Real Property Management



Matching, Level of Effort, Earmarking



Period of Performance



Procurement, Suspension & Debarment



Subrecipient Monitoring

Common IDEA Findings

- We haven't seen consistent findings with IDEA
- Areas where we could see problems occurring:
 - Procurement, Suspension & Debarment
 - Property and Equipment Management
 - Review of grant claims



Self-Reflect – IDEA

- Who tracks items purchased/sold with IDEA funds?
- Who oversees tracking procurement requirements (bids, quotes, etc.)?
- How does the District retain support that they have looked up vendors on SAM.gov?
- Does someone other than the preparer review grant claims prior to submission?
 - How are you documenting the review?





Conclusion



Common Findings

Allowable Costs/Allowable Activities

- Missing sign-offs indicating review/approval
- Time and effort documentation

Procurement

- Policy is not up to date
- Not following policy

Suspension/Debarment

- Policy is not up to date
- Not being checked and documented

Segregation of Duties

- All areas starting at the transactional level and going through reporting/claims



Implications of Findings

- Potential funding holds until agencies are satisfied with updated policies and procedures
- Potential loss of funding all together
- Increased monitoring by granting agencies
- Additional time spent responding to granting agencies
- Additional training required by granting agencies
- Increased audit testing and potential high-risk auditee designation
 - Really work together with your auditor as a high-risk auditee means more work for them versus the grantee so we do not want you to have findings either 😊



Action Steps

- Make sure written policies exist for all compliance requirements
 - Update policies to reflect current practice and add anything that may have been missing
 - Be sure to act on the policy/procedure
 - **Consistently look at making updates**
- Hold a refresher training on grant requirements and policies for all department heads, finance staff or others that are working with grants



Action Steps

- Review controls with grant managers
 - Look for supporting documentation that shows who, what, when the internal control was performed
- Look for ways to centralize the process
- Remember, your audit firm should be a resource and work TOGETHER for success





Questions?



Thank you!

Elizabeth McMasters, CPA

Director

920-455-4246

elizabeth.mcmasters@claconnect.com

Hayle Lepak

Director

920-455-4170

hayle.lepak@claconnect.com



CLAcconnect.com



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