The Cooperative COMPASS
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GRANT COMPLIANCE AND SINGLE AUDIT REQUIREMENTS FOR UTILITY COOPERATIVES

Presented by:

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Overview

- Background
- Compliance and Single Audit Requirements
- Single Audit Common Mistakes

Single Audit

- Single Audit Act of 1984 (1996) established requirements for audits of organizations that administer federal financial assistance programs (States, Local Governments, Indian Tribal Governments, and Non-Profit Organizations)
- 2 CFR Part 200 - Uniform Guidance
- Compliance Supplement (2 CFR Part 200, Subpart F)
- Office of Management and Budget (OMB) is responsible for issuance and maintenance of Single Audit regulations, annual Compliance Supplement, and coordinating with federal agencies
- Audit Threshold $750,000 – Effective October 1, 2024 increases to $1,000,000 (December Year End 2025)

Single Audit

- Financial Statement Audit – Audit of recipient's financial statements, policies, documentation, and system of internal control
- Programmatic Compliance Evaluation – Test of recipient's compliance with the requirements of their federal awards which often assesses the effectiveness of award spending and evaluate performance progress
- Must be performed by an Independent Auditor

2 CFR Part 200 – Uniform Guidance

- Establishes uniform administrative requirements, cost principles, and audit requirements for federal awards
- Administrative Requirements (Subparts B – D) – Federal awarding agency management and requirements Federal awarding agencies may impose
- Cost Principles (Subpart E) – Determining allowable costs
- Single Audit Requirements (Subpart F) – Standards for obtaining consistency and uniformity for the audit of expending federal awards

Grant Award/Agreement

- MOST IMPORTANT DOCUMENT
- Legal instrument of financial assistance
- Should include Assistance Listing Number (ALN), if federal
- Eligible expenditures
- Reporting requirements
- Accounting treatment

Compliance Supplement

- Identifies existing compliance requirements that are expected to be considered as part of a Single Audit
- More efficient and cost-effective approach
- Understand Federal program’s objectives, procedures, and requirements
- 12 types of compliance requirements
- Maximum of 6 requirements may be subject to audit

The Matrix of Compliance Requirements

- A – Activities Allowed or Unallowed
- B – Allowable Costs/Cost Principles
- C – Cash Management
- E – Eligibility
- F – Equipment Real Property Management
- G – Matching, Level of Effort, Earmarking
- H – Period of Performance
- I – Procurement Suspension & Debarment
- J – Program Income
- L – Reporting
- M – Subrecipient Monitoring
- N – Special Tests and Provisions

Activities Allowed or Unallowed

- Ensures that the federal funds are used only for allowable activities
  - *Activities must align with the program's purpose*
  - *Check grant agreements for specifics*
  - *Unallowed activities = questioned costs*

Allowable Costs/Cost Principles

- Cost must follow cost principles (e.g., 2 CFR Part 200)
  - *Must be necessary, reasonable, and allocable*
  - *Adequately documented*
  - *Treated consistently*

Cash Management

- Ensures funds are drawn down only as needed
  - *Minimize time between drawdown and disbursement*
  - *Use of interest-bearing accounts if applicable*
  - *Return excess interest to the federal government*

Eligibility

- Verifies only eligible individuals or groups benefit from the program
  - *Follow criteria in grant agreement*
  - *Maintain documentation to support eligibility*
  - *Monitor subrecipients' eligibility assessments*

Equipment and Real Property Management

- Federal property must be used, managed, and disposed of correctly
  - *Inventory required every two years*
  - *Maintain records: acquisition, condition, location*
  - *Disposition must follow federal guidelines*

Matching, Level of Effort, Earmarking

- Recipient may need to contribute resources or maintain effort levels

  - *Matching = non-federal share*
  - *Level of effort = maintain prior levels of services*
  - *Earmarking = set-asides for specific activities*

Period of Performance

- Only costs incurred during the authorized grant period are allowable
  - *Pre-award costs require prior approval*
  - *Track end dates carefully*
  - *No costs after grant expiration unless approved*

Procurement, Suspension & Debarment

- Applies to purchasing goods/services with federal funds
  - *Use competitive procedures*
  - *Avoid debarred or suspended vendors*
  - *Maintain written procurement policies*

Program Income

- Income earned from federal program activities
  - *Use income before drawing additional federal funds*
  - *Must be used for allowable purposes*
  - *Report income as required*

Reporting

- Timely and accurate reporting of financial and performance data

  - *Types: financial, performance, special*
  - *Use required formats*
  - *Retain supporting documentation*

Subrecipient Monitoring

- Prime recipients must oversee subrecipients
  - *Risk assessment required*
  - *Perform monitoring and audits*
  - *Ensure compliance with program rules*

Special Tests and Provisions

- Unique requirements specific to each federal program
  - *Found in program-specific requirements*
  - *Vary by agency*
  - *Require tailored procedures and testing*

Davis-Bacon Act

- Required payment of prevailing wages to laborers and mechanics on federal construction projects over $2,000
- Applies to contractors and subcontractors
- Protect local wage standards
- Prevent unfair competition from low-wage labor
- Support fair labor practices in federally funded projects

Davis-Bacon Act

- Prevailing Wage Rates – must be paid according to U.S. DOL wage determinations
- Certified Payrolls – Contractors MUST submit weekly payroll reports (Form WH-347)
- Postings – Davis-Bacon poster (WH-1321) must be displayed on-site
- Fringe Benefits – Must also be paid or provided

Matrix of Compliance Requirements Example

	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
97.036	Y	Y	N	N	N	Y	Y	N	N	Y	Y	Y

Single Audit Considerations

- Understanding the implications of receiving grant money
- Whether that grant money is federal or not?
- Does your State have a Single Audit requirement?
- Is there a cost-share requirement?
  - *Example – Total cost of project is $800K, but grant will only pay for 75% - $600K. Single Audit Not Required (threshold not met)*

Impact on Financial Statement Audit

- Required to have a financial statement audit under *Generally Accepted Government Auditing Standards* (GAGAS) – Yellow Book
- Additional audit requirements over *Generally Accepted Auditing Standards* (GAAS)
- RUS Borrowers are already required to have a GAGAS audit
- Subsidiary may need stand-alone audit

Single Audit Common Mistakes

- Incomplete or Inaccurate SEFA (Schedule of Expenditures of Federal Awards)
  - *Missing programs or ALN numbers*
  - *Incorrect amounts or totals*
  - *Failure to include pass-through entity information*
  - *Lack of footnotes required by Uniform Guidance*

Single Audit Common Mistakes

- Inadequate Documentation
  - *Lack of support for eligibility determinations, allowable costs, or matching funds*
  - *Insufficient evidence for internal controls testing*
  - *Missing documentation for procurement compliance*

Single Audit Common Mistakes

- Weak Internal Controls
  - *Controls not implemented or not operating effectively*
  - *No evidence of monitoring or review*
  - *Lack of segregation of duties*

Single Audit Common Mistakes

- Late Submission to the Federal Audit Clearinghouse (FAC)
  - *Reports submitted past the 9-month deadline or 30 days after report issuance, whichever is sooner*
  - *Risk of being designated as a high-risk auditee*

Single Audit Common Mistakes

- Subrecipient Monitoring Failures
  - *No documented risk assessments*
  - *Lack of monitoring procedures (site visits, audits, reports)*
  - *Subrecipient not aware of compliance responsibilities*

Single Audit Common Mistakes

- Misclassification of Major Programs
- Improper or Incomplete Testing of Compliance Requirements
- Inaccurate or Missing Notes to the SEFA
- Inadequate Reporting of Findings
- Ineffective Corrective Action Plans

Single Audit – Key Notes

- Documentation, Documentation, Documentation
- Internal Controls
- Proactive Monitoring

Contact Information

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