



The ABC's of Your Single Audit

PRESENTED BY
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Education Services Leader

Overview of Subjects

- Two main topics today
 - How to prepare your Schedule of Expenditures of Federal Awards and other necessary schedules
 - Common Findings (audit/monitoring)

Requirements

- If the district has \$750,000 or more in federal expenditures during the fiscal year a single audit is required
 - Focus is on expenditures



SEFA

- Schedule of Expenditures of Federal Awards
 - Must include all federal financial assistance
 - Grants
 - Loan guarantees
 - Direct appropriations
 - Interest subsidies
 - Other

SEFA



- Each award must included the following:

- Approved grant amount

- Grant Agreement or Grant Award letter or

- Grant Auditor's Report for MDE grants

- <https://mdoe.state.mi.us/cms/grantauditorreport.aspx>

84.010 Title I, Part A - Improving Basic Programs								
Title I Part A			Allocation	Approved	Paid in Range	Cumulative	Balance	
121530	1112	9/30/2012	\$152,562.00	\$180,576.00	\$87,528.00	\$173,727.00	\$6,849.00	Received
131530	1213	9/30/2013	\$204,564.00	\$211,413.00	\$99,415.00	\$181,772.00	\$29,641.00	Received
Total for 84.010			\$357,126.00	\$391,989.00	\$186,943.00	\$355,499.00	\$36,490.00	

SEFA



- Each award must included the following:
 - CFDA # (Catalog of Federal Domestic Assistance Number)
 - Grant Agreement/Award letter or
 - Grant Auditor's Report for MDE grants or
 - County Subrecipient Schedule (ISD)

84.010 Title I, Part A - Improving Basic Programs

Title I Part A								
121530	1112	9/30/2012	\$152,562.00	\$180,576.00	\$87,528.00	\$173,727.00	\$6,849.00	Received
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SEFA

- Each award must included the following:
 - CFDA # (Catalog of Federal Domestic Assistance Number)
 - If you are unable to locate it the previous ways, you can look it up
 - <https://www.cfda.gov/>
 - Type in the grant name or key word and it will locate the corresponding CFDA Number

SEFA



- Each award must included the following:
 - Project Number and/or source code
 - Look at grant document or
 - Grant Auditor's Report for MDE grants or
 - County Subrecipient Schedule (ISD)

84.010 Title I, Part A - Improving Basic Programs								
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SEFA

- Each award must included the following:
 - Inventory and accrued or unearned revenue as of July 1, 2016
 - Accounts receivable
 - Occasionally, unearned revenue
 - Typically this amount comes directly off the prior year SEFA
 - GASB 63/65 changed verbiage- make sure use “unearned”

SEFA

- Each award must included the following:
 - Prior years cumulative actual expenditures from federal sources
 - Typically this amount comes directly off the prior year SEFA
 - Includes prior year(s) for a specific award (may span more than one year)

SEFA

- Each award must included the following:
 - Current year cash or payment in-kind received from federal sources
 - Includes commodities
 - Grant Auditor's Report for MDE grants or
 - County Subrecipient Schedule (ISD) or
 - Actual receipts (general ledger or request for reimbursement)

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SEFA

- Each award must included the following:
 - Current year actual expenditures from federal sources
 - Includes commodities
 - Amount per General Ledger for the fiscal year
 - Revenues = Expenditures
 - Should be able to run a report separate by program (grant)

SEFA

- Each award must included the following:
 - Inventory and accrued or unearned revenue as of June 30, 2017
 - Accounts receivable
 - Occasionally, unearned revenue
 - Use final cash requests/reimbursements and/or final expenditure reports

SEFA

- Each award must included the following:
 - Adjustments as necessary
 - All must be explained in the Footnotes to the SEFA
 - Common adjustments
 - Rounding
 - Deobligation of Funds
 - Expenses recorded in previous year

Schedule of Expenditures of Federal Awards



- All grants should be classified by program and classified by the federal department that administers that program (Example – U.S. Department of Education)
- Also, each grant should state whether it is Direct or Flow-through and what the flow-through agency is, if applicable (Example – ISD)
- Clusters must be identified
 - Even if one CFDA #

Schedule of Expenditures of Federal Awards



Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2016	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2017
U.S. DEPARTMENT OF EDUCATION							
Title I							
Passed Through the Michigan Department of Education							
Title I	84.010						
121530-1112		180,576	66,484	152,683	87,528	21,044	-
131530-1213		211,413	-	-	99,415	160,728	61,313
Total Title I		391,989	66,484	152,683	186,943	181,772	61,313

SEFA Checks



- Items to ensure accuracy
 - Foot/Crossfoot
 - PY Accrued/Unearned Revenue ties to PY SEFA
 - $PY\ AR + CY\ Expenditures - CY\ Receipts = CY\ AR$
 - Total Federal Expenditures per SEFA should tie to total Federal Revenue per Financial Statements
 - May need to include, Schedule of Reconciliation of Revenues with Expenditures for Federal Award Programs

SEFA Reconciliation

- Schedule of Reconciliation of Revenues with Expenditures for Federal Award Programs
 - Transfers
 - Timing issues (60 day rule)
 - Classification Differences
 - Timing (on GAR but not received by the District before 6/30)

SEFA Reconciliation

Schedule of Reconciliation of Revenues with Expenditures for Federal Award Programs

ABC COMMUNITY SCHOOLS
Schedule of Reconciliation of Revenue
with Expenditures of Federal Awards
Year Ended June 30, 2017

Revenue from federal sources - per basic financial statements, all funds	\$ 1,095,000
Accounts receivable recognized on the Schedule of Expenditures of Federal Awards and not on the Financial statements	15,000
Deobligation of prior year payments recaptured in the current year (see notes to Schedule of Expenditures of Federal Awards)	<u>4,750</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,114,750</u>

SEFA Notes

- Describe accounting policies
- Description of Adjustments, if any
- Management's utilization of GAR
 - All differences between the District's SEFA and GAR and/or ISD (if any) must be described in the notes
 - Include reason, project number, CFDA number and amount

SEFA Notes

~~Macomb Intermediate Community Schools~~
**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2017.
3. The federal amounts reported on the CMS Grant Auditor Report (GAR) and Macomb Intermediate School District Schedule of Federal Financial Assistance Provided to Subrecipients are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The total expenditures on the Schedule of Expenditures of Federal Awards equal the federal revenues on the financial statements.

Other Schedules

- Schedule of Federal Awards Provided to Subrecipients
- Schedule of Findings and Questioned Costs
- Each finding must have a Management's Response (Corrective Action Plan)
 - Specific/action oriented
 - District's comments for each finding
 - Corrective steps that have already taken place, if any
 - The steps that will be taken and target dates
 - Plan for monitoring the adherence to the plan
 - Contact person
 - Date funds mailed back to MDE, if necessary
- Summary Schedule of Prior Audit Findings

Common Findings/ Hot Topics

Hot Topics & Common Findings



- Uniform Grant Guidance
 - Super Circular/ Omni-Circular
- Final guidance from MDE?
 - New Audit Manual
 - Time & effort
 - Procurements
 - Issuing examples
 - ***Soon?????

Hot Topics



- Time & Effort
- Expenditures are not specifically approved in the Consolidated Application
 - Questioned Costs
 - Misclassified Costs
- Lack of policies and procedures to ensure proper internal controls are in place, implemented, and properly monitored or written procedures (and policies) are not detailed and specific to the LEA

Title I Audits- Hot Topics



- District's budget approved by Board does not match with District's Consolidated Application
- Inventory list of items purchased with Federal funds are not maintained and/or Equipment purchased with federal funds are not tagged with funding source
- Expenditures prior to Obligation Date of Grant Award
- Nutrition issues

Common Issues with PARs and Semi-Annual Certifications

- NOTE: AS OF THE DATE THIS WAS PREPARED THE 16-17 AUDIT MANUAL/COMPLIANCE SUPPLEMENT WAS NOT RELEASED
- Staff performing one job all day long (one cost objective) are required to complete a semi-annual certification
- When staff are performing multiple jobs (more than one **cost objective**) they are required to complete a PAR

Cost Objective- A function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred

Common Issues with PARs and Semi-Annual Certifications

- PARs must be prepared at least monthly, be signed and dated by the employee, and account for the staff person's total activity for all pay periods
- Staff members hired school-wide building do not require PARs

Timekeeping: Decision Making Rubric

When to do a Semi-annual Certification or a Monthly PAR?		Cost Objective	
		Single	Multiple
Grant Awards (or funding source)	Single	Do Semi- Annual Certification	Do Monthly PAR
	Multiple	Do Semi- Annual Certification	Do Monthly PAR

UG - New Time & Effort

The Uniform Guidance allows greater **flexibility** for documentation, and places greater reliance on internal controls and the corresponding policies and procedures. These records must be supported by a system of internal controls that provide reasonable assurance that the charges are accurate, allowable, and properly allocated; reasonably reflect the total activity for which the employee is compensated.

Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.

Expenditures

- Audit/Monitoring office compare actual expenditures with approved budget items in the Consolidated Application
- Expenditures should be readily identified in the Consolidated application and should be classified as they were approved in the Consolidated Application

Federal Policies and Procedures

- Provide board approved policies and procedures for Cash Management, Payroll (time & effort), Allowable Costs, Procurement, Suspension and Debarment, Monitoring, Contracting, Equipment Management, Segregation of Duties
 - Narratives are not considered policies and procedures
 - Policies and procedures need to be on school letterhead
- Auditor will examine those documents and compare them to actual District operations

Budget

- Provide a general ledger summary, complete with budget information
- Monitor/Auditor compares the District's board approved budget to the budget in the Consolidated Application and to actual District expenditures
- Use different cost centers (program codes) for multiply grants
- The scope of the budget comparison is by function code, object code
 - 10% rule applies to subtotal in approved function code
 - Budget changes need prior approval from Federal Consultant (EDGAR 80.30)

Equipment/ Inventory

- An ongoing listing should be kept by the District for all equipment/inventory the District has purchased with Federal funds
 - OFS has stated for purposes of this list, all items **\$100.00** or greater and a life expectancy greater than one year should be included... Main point – have POLICY ON WALKABLES
 - What about the \$5,000 threshold?

Nutrition – Hot Topics

- Bad Debt Expense
 - Have a policy
 - Monitor bad accounts
 - Never have bad debt expense in SFA
 - Transfer
 - Allowance
- Indirect vs. Direct Charges
- SFA – all costs are most be allowable – cannot segregate federal from non-federal

QUESTIONS?



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Thank you!

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