

# Federal FAQ's

This Frequently Asked Question (FAQ) information is for audits subject to the Uniform Guidance (UG) regulations.

Updated October 2022<sup>1</sup>

## Risk Assessment

1. I have a Low Risk Type A program and I need to meet my “percentage of coverage” rule. (e.g. Low Risk Auditee 20%, Not Low Risk Auditee 40%) Must I substitute a High Risk Type B program for the Low Risk Type A Program? Must I risk analyze the Type B program?
  - A. Regardless of the “percentage of coverage” threshold, Auditors must risk analyze Type B programs until they identify 25% of the number of Low Risk Type A programs, then STOP. If you continue to risk analyze and identify more high-risk Type B programs, you will be required to audit them all as major programs. There could be situations where there aren't enough high risk Type B programs to meet the number or programs calculated from the Not Low Risk Type A programs. You do not need to risk analyze Type B programs below the minimum dollar amount calculated for the Type B Threshold. 2 CFR 200.518(d)(2) explains that the auditor is not expected to perform risk assessments on relatively small Federal programs and only requires auditors to perform risk assessments on Type B programs that exceed 25% of the Type A threshold.
2. If an entity has the following programs, what do I audit as *major*?
  - 2 - Low Risk Type A
  - 1 - Not Low Risk Type A
  - 7 – High Risk Type B programs **under** the calculated Type B Risk Analysis Threshold
  - A. You should not have determined that you have High Risk Type B Programs, because you generally need not risk analyze Type B programs whose expenditures are less than the calculated Type B Risk Analysis Threshold. With that caveat, assuming your Not Low Risk Type A does not meet your percentage of coverage [20%/40%] rule, you can choose any of these programs you need to meet the 20% or 40% coverage.
3. Has OMB designated any high risk programs?
  - A. Medicaid has been designated as higher risk in all of the Compliance Supplement editions through July 2010. Several additional programs were designated as higher risk in the 2021 and 2022 OMB Compliance Supplements. Auditors should review Part 8, Appendix IV of the most recent OMB Compliance Supplement for a list of programs designated as higher risk. In addition, clusters with newly added programs constituting 25% or more of the cluster expenditures may also be deemed higher risk for the period. Auditors should note that a higher risk designation does not automatically make the program high risk unless the federal government sends notification to the auditee that the program should be considered not low risk (not just higher risk).

## Program Clusters

1. Who can “cluster” programs?
  - A. The OMB has primary responsibility for designating clusters. The OMB Compliance Supplement includes a section describing approved clusters. State pass-through entities can also designate clusters if they notify their recipients of the federal awards included in the cluster and provide them with the applicable compliance requirements. No one else is

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<sup>1</sup> Updated October 2022 – Updates indicated by double underline.

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permitted to create program clusters, including the Auditor of State. CFAE maintains a listing of Federal program clusters [on the Federal Reporting Practice Aids page of the Intranet](#).

2. If a group of programs is “clustered,” is it considered one program for determining risk assessments, documenting and testing control procedures, and testing compliance?
  - A. Yes. However, you may find that the programs in the cluster have differing systems and procedures. The auditor must exercise judgment in determining what is significant enough to document and test for a cluster. If there is any doubt, AOS employees should submit a ticket to the FACCR specialty in Spiceworks and IPAs should contact the [AOS Federal](#) inbox (AOSFederal@ohioauditor.gov).
3. Must I select transactions from each program in a cluster to test?
  - A. No. You should select enough transactions, or perform enough other substantive tests, to render an opinion as to whether the “cluster” is, in your opinion, in compliance.

## FACCRS

1. Can I use dual testing for control and compliance when my population contains transactions from different sources or different types of funding (both regular and COVID funding, both direct and pass-through funding, etc.)?
  - A. In general, you can use dual testing, but if you determine that a separate control sample is required dual testing will not be sufficient. For AOS auditors follow the AOSAM 30500.87 and 35900.70 & .71 guidance for dual testing.
2. How do I know if a FACCR is available for my program?
  - A. AOS Auditors should refer to the “Single Audit FACCR Database” in the FACCRs and IRAFs folder of the Intranet. This database shows what FACCRs are available by location, Assistance Listing number, and Year. The document contains several tabs:
    - “FACCRs on Intranet” – These are FACCRs annually prepared by CFAE. They are available in the [FACCRs and IRAFs folder](#) of the Intranet.
    - “FACCRs Available from CFAE” – These are FACCRs that have been written by staff auditors and available upon request via FACCR Specialty in Spiceworks.
    - “Other FACCRs In Process” - FACCRs that are currently being written by Staff Auditors and once completed will be available upon request via FACCR Specialty in Spiceworks.
  - B. IPAs should refer to the Federal Award Compliance Control Records (FACCR) page on the AOS website, located at <https://ohioauditor.gov/references/practiceaids/faccrs.html>

## Schedule of Expenditures of Federal Awards (SEFA)

1. Under the UG, the SEFA is required to include the amount passed-through to subrecipients for each Federal program in a separate column. Are those same dollars also included in the total federal expenditures column?
  - A. Yes, the amount provided to subrecipients should be included in both columns. 2 CFR 200.510(b)(4) requires the SEFA to include the total amount provided to sub recipients from each Federal program and [2 CFR 200.510\(b\)\(3\)](#) requires the total Federal awards expended for each individual Federal program.
2. If an entity does not have any subrecipients, are they still required to present the subrecipient column on the SEFA?

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- A. No, if your entity does not have any subrecipients, they do not have to present the column on the SEFA. However, if the entity were to include the column with zeros presented, we would not require this column to be removed since it is the entity's schedule.
3. Can the Construction Management Reporting System Payment report be used to determine federal payments?
- A. No. There is a Capital Program Payments Report available from ODOT's Construction Management Reporting System (CMRS) at <https://cmsportal.dot.state.oh.us/Home/ViewExtReport?RptNme=CMSPortal%252fCapitalProgramPaymentReport&RptTitle=Capital%20Program%20Payment>. That report can be used to confirm State of Ohio Warrant Dates. However, as Federal, State and/or Local funds disbursed by ODOT may be commingled/combined in the Warrant or EFT, this report **cannot** be used to verify the disbursement of specific Federal funds **amounts**. This issue is one of the primary reasons for the Notice which appears on page one of the reports and the watermark which appears on every page. A different LPA source document must be used to confirm the Federal funds portion of the payment. Auditors should refer to the Highway Planning and Construction FACCR and the SEFA Completeness Guide for further information.
4. What are some of the reporting issues that have been noted during recent reviews?
- A.
- SEFA
    - No column for funds passed through to subrecipients
  - SEFA Footnotes
    - All single audit entities must indicate whether or not they elected to use the 10% de minimus indirect cost rate.
    - For loan and loan guarantees, entities are required to identify in the notes, loan balances outstanding at the end of the audit period.
5. If the client does not believe they will be a single audit; should they still confirm their federal expenditures with ODOT?
- A. Confirming expenditures with ODOT is required for AOS auditors and highly recommended for IPAs. The client should request written confirmation from ODOT regarding all expenditures to ensure a single audit is not missed.
6. 2 CFR Section § 200.510 (b) (1) states that for clusters of programs, the SEFA must "provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name." If a non-Federal entity has incurred expenditures under only one program within a cluster of programs, must the auditee still identify the expenditure as being a part of cluster of programs and provide the cluster name on the schedule of expenditures of Federal awards?
- A. Yes. 2 CFR Section § 200.510 (b) (1) requires the name of the cluster of programs to be provided on the schedule of expenditures of Federal awards, regardless of whether the expenditures were incurred under only one program or multiple programs within the cluster of programs.
7. For Child Nutrition Cluster, if Federal receipts exceed total food service expenditures, what expenditures should be reported on the SEFA?
- A. Reported SEFA expenditures are limited to actual expenditures plus commodities. For entities that receive COVID-19 funding for Child Nutrition Cluster, it should be assumed that receipts are spent on a first in – first out basis. Clients and auditors should track the receipts carried into the subsequent fiscal year and report on the subsequent SEFA accordingly.

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## Reporting

1. The auditee does not have formal written policies in place as required by the Uniform Guidance. Do I automatically have a Significant Deficiency or Material Weakness or Material Noncompliance in the audit report?
  - A. Formal written policies required by the Uniform Guidance (UG), are summarized in the table below.

Keep in mind with the adoption of the UG, the program requirements did not change much. If there is another basis for the control over the compliance requirement effectively operating, and there are few or no exceptions found in our compliance testing over the program requirements, then the lack of a policy generally will not result in material noncompliance / material weakness or significant deficiency. In most cases, it will be reported as noncompliance and a control deficiency in a Management Letter, however, auditors will need to evaluate each year to determine if the comment should be elevated if written policies have not been adopted.

The lack of a policy by itself does not indicate sweeping lack of controls over program compliance or necessarily result in material noncompliance with the compliance requirement. There are many elements to each compliance requirement. Therefore, while we normally use a written policy as the basis for the compliance control, we should focus on what is actually happening at the entity to ensure compliance.

FACCR Section	Reference	Written Policies Required?	Notes*
Cash Management	2 CFR § 200.305 <i>Payment</i> - Subpart D	Yes	See 2 CFR § 200.302 <i>Financial Management</i> - Subpart D, Section (b)(6) Written procedures to implement the requirements of §200.305 <i>Payment</i> .
Determining Allowable Costs	Noted on Right	Yes	Written Policies Required to Cover the Following: <ul style="list-style-type: none"> <li>• 2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.</li> <li>• 2 CFR 200.430 for allowability of compensation costs.</li> <li>• 2 CFR 200.431 for written leave policies.</li> <li>• 2 CFR 200.464(a)(2) for reimbursement of relocation costs.</li> <li>• 2 CFR 200.474 for travel reimbursements.</li> </ul>

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Procurement and Suspension and Debarment	Noted on Right	Yes	Written Policies Required to Cover the Following: <ul style="list-style-type: none"> <li>• 2 CFR 200.318(c)(1) for employee conflicts of interest.</li> <li>• 2 CFR 200.318(c)(2) for organizational conflicts of interest.</li> <li>• 2 CFR 200.320(b)(2) for selection and awarding of competitive contracts.</li> <li>• 2 CFR 200.319(d) for minimum evaluation criteria for bids and proposals.</li> </ul>
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2. How do I begin a compliance citation if agencies have codified 2 CFR 200?
- A. At the beginning of each FACCR, there is a detailed narrative about agency codification of 2 CFR 200, where they made the codification, and any exceptions or additions to the UG. The FACCR also provides a few different citation examples.

3. Can an auditee fulfill its responsibility (described in 2 CFR § 200.511 Audit findings follow-up) to prepare a summary schedule of prior audit findings and a corrective action plan for current year audit findings by having its auditor prepare these documents?
- A. No. An auditor must be independent of the auditee. 2 CFR § 200.511 states that the auditee must prepare the summary schedule of prior audit findings and the corrective action plan. Therefore, the auditor should not prepare these documents for the auditee. The auditee must submit the corrective action plan on auditee letterhead.

Also, according to 2 CFR § 200.511(c), the auditee must prepare the corrective action plan in a document that is separate from the auditor's findings. Therefore, an auditee may not simply reference the "views of responsible officials" section of the findings to fulfill its responsibility for the preparation of a corrective action plan.

The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

4. What are some of the reporting issues that have been noted during recent reviews?
- A.
- Summary of Auditors Results
    - Identification of Major Programs – If a cluster was tested, only the name of the cluster is required. It is **not** required that the individual Assistance Listing # and Name of each program be listed.
  - Comments
    - Identify if a comment is a repeat from the immediately prior audit and include the finding number.
    - Reminder: The questioned cost threshold is \$25,000
  - Schedule of Findings

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- If an entity files under the regulatory basis, the Type of Financial Statement Opinion in the Schedule of Findings should indicate, 'Adverse under GAAP, unmodified under the regulatory basis.'
  - Summary of Prior Audit Findings
    - GAGAS findings must be included.
    - In addition, a description of reasons for the findings' reoccurrence must be included.
    - Remember: This is a client prepared schedule.
  - CAP
    - GAGAS findings must be included.
5. The entity received and completely misused a \$24,999 federal grant. Because this amount is less than \$25,000, do I report questioned costs?
- A. No, but it may be reported as a "Finding for Recovery" and there may be control deficiencies to report. If none of these apply and the noncompliance is immaterial, then the matter generally would be reported in the management letter. (Note: There would be no projected questioned cost exceeding \$25,000 in this example, because the entire award was only \$25,000.)
6. When is a "corrective action plan" required?
- A. A corrective action plan [CAP] is required by 2 CFR § 200.511(c) to be submitted by the auditee to the federal clearinghouse and to any pass-through entity [PTE] for which there were findings or questioned costs in the current audit report. The CAP is due to those entities within 30 days of receipt of the reports from AOS or the IPA. If the audit report reflects no findings or questioned costs, then the CAP is not required. Note that the CAP must address all findings (including GAGAS and Single Audit Findings).
7. When is a Summary Schedule of Prior Audit Findings and Questioned Costs required?
- A. The auditee must prepare a Schedule of Prior Findings before the current single audit is completed. The current auditor must review this Schedule to determine if it "materially misrepresents the status of any prior audit finding" (2 CFR 200.514(e)). If this schedule is not completed, is incomplete, or is significantly misleading, then the auditor is to report those matters as a current finding in the Schedule of Findings and Questioned Costs. The auditee must respond to all single audit and GAGAS prior findings.
8. For auditee's required to submit their audit report within six months of year-end to retain accreditation status with the Accrediting Commission of Career Schools and Colleges (ACCSC), is the single audit required to be completed within six months of year-end or just the financial statement audit?
- A. The ACCSC only requires the audited financial statements to be submitted within six months of year-end, the single audit is not required to be completed at that time.

The ACCSC accredits postsecondary, non-degree-granting institutions and degree-granting institutions, including those granting associate, baccalaureate, and master's degrees that are predominantly organized to educate students in career-oriented areas of study to include institutions that offer distance education. Auditors should confirm with auditees (including career tech centers and joint-vocational school districts) whether they are accredited by the ACCSC and therefore subject to the six month deadline.

Note that the Council on Occupational Education (COE) offers accreditation which may be obtained by post-secondary occupational institutions that offer certificate, diploma, or applied associate degree programs. COE agencies audited by the Auditor of State are public agencies and therefore not required to submit audited financials; however, they are required to satisfy certain objectives for fiscal stability which may be satisfied with financial statements.

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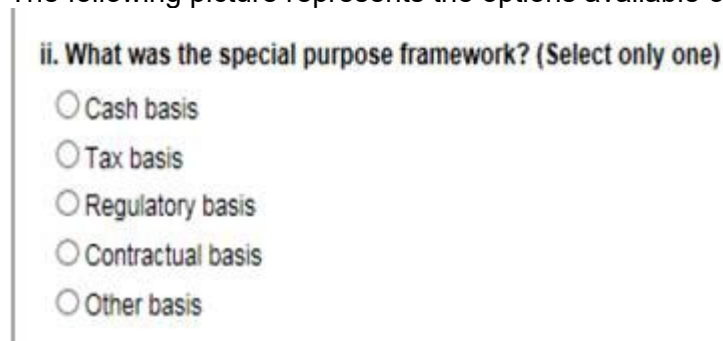
COE-accredited agencies are also not required to submit a single audit letter for accreditation purposes.

## Data Collection Form

1. The Data Collection Form requires pass-through grant information. What do I enter if there is no pass-through ID number? Can I enter multiple pass-through award numbers for the same AL number?
  - A. If the award is not a Direct Award, enter the name of the pass-through entity and the identifying number assigned by the pass-through entity. If there is not an identifying number assigned by the pass-through entity, enter N/A in this field. Click Add to save the pass-through entity name and ID. You may enter up to 10 pass-through entity names and IDs for a single award.

The Federal Audit Clearinghouse has indicated their preference is for the pass-through information on the DCF to mirror what is presented on the SEFA.

2. What special purpose framework do I select when a client does not prepare their financial statements in accordance with GAAP?
  - A. The following picture represents the options available on the DCF:



ii. What was the special purpose framework? (Select only one)

- Cash basis
- Tax basis
- Regulatory basis
- Contractual basis
- Other basis

For audits prepared under the AOS Regulatory basis, you would select regulatory. For audits prepared under the OCBOA basis (including modified cash), you would then select cash basis.

The subsequent question will ask if the special purpose framework used a basis of accounting required by state law. AOS Regulatory and OCBOA audits are **not** required by State law; therefore, this question should be answered no.

The instructions for the Data Collection Form can be located at <https://facides.census.gov/InstructionsDocuments.aspx>

3. Do all audit findings including both GAGAS and Single Audit findings need to be reported on the DCF?
  - A. No, only Single Audit findings need reported on the DCF.

## Audit Costs

1. Can a client charge audit costs, including costs associated with Agreed-Upon-Procedures for monitoring subrecipients, to the federal program?
  - A. The Auditor of State releases an annual Bulletin entitled "Hourly Billing Rates and Allocation of Audit Costs" which addresses what fund(s) may be charged for various audit costs, including those associated with audits required by, and performed in accordance with, the federal Single Audit Act. Please refer to the most recent Bulletin, which can be found [here](#).

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## Controls

1. What responsibility do I have for assessing accounting controls?
  - A. The accounting controls we should document and test for single audit purposes are those, if any, contributing to the entity's ability to comply with legal requirements for major programs. For example, if the major program is almost exclusively concerned with payroll expenditures, as noted in the compliance requirements in the FACCR, then you would probably document and test payroll controls, if those controls help assure the payroll was allowable (properly-designed authorization controls, for example). However, there is no requirement to document or test RoC controls to satisfy Single Audit compliance control testing requirements.

The Auditor should read the example control procedures in each section of the applicable FACCR and determine what controls, including accounting controls, might need to be documented and tested.

## Allowable Costs/Cost Principles

1. Is there a requirement for a grantee to get approval from the cognizant agency for indirect costs when it wants to institute new methodologies for documenting personnel costs as defined in 2 CFR § 200.430(i)(1)?
  - A. No, as long as the new methodology meets the standards identified in 2 CFR § 200.430(i)(1), Federal entity is not required to obtain approval from its cognizant agency.

## Procurement

1. The UG requires entities to have written procurement procedures. Can the policy just say they are going to follow all UG procurement procedures? Does this policy have to be Board approved?
  - A. Based on requirements identified in 2 CFR 200.318-200.320, entities must have a written method or written procedures for procurement. These procedures must be written specifically for the entity and not just a blanket statement regarding following of all UG procurement procedures. In addition, the statutes require the written procedures and do not indicate how they are to be established. How to create and adopt the written methods will be an internal discussion.
2. What are the Procurement Thresholds and requirements?
  - A. The procurement procedures and requirements apply to all purchases made with federal funds, including co-op purchases. The 5 methods of procurement are as follows:
    1. Procurement by micro purchase
      - Aggregated dollar amount not to exceed \$3,500.
      - NDAA of 2018 raised the micro purchase threshold to \$10,000
        - Non-Federal entity must document the decision to use this increased threshold in its internal procurement policies.
      - Entity must distribute purchases equitably among qualified suppliers.
      - Note that the updated Uniform Guidance, effective November 2020, allows for micro purchase threshold up to and in excess of \$50,000 when certain requirements are met. 2 CFR 200.320(a)(1)(iv) and (v) describe the requirements for the increased thresholds.
    2. Procurement by small purchase
      - Aggregate dollar amount exceeds micro purchase amount but do not exceed the Simplified Acquisition Threshold.
      - NDAA of 2018 established simplified acquisition threshold of \$250,000.



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- Non-Federal entity must document the decision to use this increased threshold in its internal procurement policies.
- Entity must obtain price or rate quotations from an adequate number of qualified sources.
- 3. Procurement by sealed bids
  - Purchases greater than simplified acquisition threshold that lends itself to a firm fixed price contract and selection of the successful bidder can be made principally on the basis of price (i.e. construction-type contracts).
- 4. Procurement by competitive proposals
  - Purchases greater than simplified acquisition threshold that are not required to meet the specifications for sealed bid purchases. This is similar to the request for proposal process many entities are familiar with.
  - Proposals must be solicited from an adequate number of sources and the entity must have a WRITTEN method for evaluating the proposals
- 5. Procurement by noncompetitive proposal
  - Entities should use this method if:
    - The total purchase price does not exceed the micro-purchase threshold.
    - The item or service is only available from a single source.
    - The public exigency or emergency for the requirement will not allow for competitive solicitation.
    - The federal awarding agency or pass-through entity expressly authorizes.
    - After solicitation of a number of sources, competition is determined inadequate.
  - If using this method, entities should ensure that all documentation is in place.

Also see Question #5 for additional guidance on procurement thresholds.

3. Does the suspension and debarment requirement apply only to federal suspended and debarred parties?
  - A. Yes. An entity listed on a state or other suspended or debarred list may present certain risks, but, the requirement applies only to entities appearing on the federal list.
4. Do we need to determine if the parties contracted with are actually on the suspended or debarred listing?
  - A. There is no requirement for the auditor to determine that, at the time the contract was entered into, the contractor was actually on that listing. The requirement is to determine if the auditee has sufficient controls and procedures in place to obtain certifications from their contractors and to follow up on any noted problems.
5. To what types of transactions do suspension and debarment requirements apply?
  - A. Under 2 CFR Part 180.215, suspension and debarment requirements apply to all contracts for goods or services unless the contract meets one of the allowable exceptions below (parts (a) and (c) excluded as they apply to Federal entities only):
    - ...(b) A benefit to an individual as a personal entitlement without regard to the individual's present responsibility (but benefits received in an individual's business capacity are not accepted). For example, if a person receives social security benefits under the Supplemental Security Income provisions of the Social Security Act, 42 U.S.C. 1301 et seq., those benefits are not covered transactions and, therefore, are not affected if the person is excluded...
    - ...(d) A transaction that a Federal agency needs to respond to a national or agency-recognized emergency or disaster.

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(e) A permit, license, certificate or similar instrument issued as a means to regulate public health, safety or the environment, unless a Federal agency specifically designates it to be a covered transaction.

(f) An incidental benefit that results from ordinary governmental operations.

(g) Any other transaction if—

(1) The application of an exclusion to the transaction is prohibited by law; or

(2) A Federal agency's regulation exempts it from coverage under this part...

6. Do suspension and debarment requirements apply to Federal program purchases of textbooks at a school district?
  - A. The purchase is not an exception listed in the preceding question so suspension and debarment requirements apply.
7. Procurement is marked as a non-monetary section in the FACCRs, how does that impact testing?
  - A. Because procurement is a non-monetary section, it must be tested separately from those sections which are marked as monetary (for instance, sections A and B). AOS auditors must select 'non-monetary' at the top of the sample documentation form when completing it for procurement testing.

## Ohio Department of Education Grants

1. Where can I get a copy of an ODE External Monitoring review that has been completed for a client?
  - A. ODE utilizes the Compliance Tracking System to complete their monitoring reviews, which includes the final monitoring reports that are released. School districts are notified when the review is completed and the report is available for them to view through the Compliance System that resides behind SAFE.

## Other

1. If a particular control or compliance attribute isn't applicable to an item pulled in a sample, what are the implications to testing?
  - A. Sample sizes for Federal testing can be found within Chapter 11 of the AICPA *Single Audit Guide* (and Audit Manual 35900 for AOS auditors) and a response of 'not applicable' means that the attribute(s) weren't tested the requisite number of times. As such, and in accordance with Chapter 3 of the AICPA *Sampling Guide*, if an attribute is marked as not applicable, the auditor **must** pull another item to test that attribute to ensure that each attribute is tested the required number of times.

Note that there may be instances in which a particular compliance requirement as a whole is not applicable for a given entity. In those situations, auditors should clearly document how they determined the requirement was not applicable.

AOS auditors, refer to the Sampling FAQs on the Intranet (Documents > Audit Resources > Reporting and Practice Aids > Reference Materials > FAQs).