OFFICE OF RECOVERY PROGRAMS

Introduction to Single Audits and the Compliance Supplement

ORP Office of Grant Policy

July 2023
Single Audit Overview

What is a Single Audit?

- Single Audits are required from all recipients who expend $750,000 or more in aggregate federal financial assistance within their fiscal year.
- Single Audits are comprised of two main sections:
  - Financial Statements: Audit of a recipient’s financial statements, policies, documentation, and system of internal controls.
  - Programmatic Compliance Evaluation: Test of a recipient’s compliance with the requirements of their federal awards which often assesses the effectiveness of award spending and evaluate performance progress.
What are the Objectives of Single Audits?

- Determines if the recipient (i.e., Auditee):
  - Established an accounting system with adequate internal controls that provide full accountability for assets, liabilities, revenues, and expenditures
  - Prepared financial statements which are presented fairly and in accordance with generally accepted accounting principles (GAAP)
  - Submitted financial reports, cash reports, and claims for advances and reimbursements that contain accurate and reliable financial data, and are presented in accordance with the terms and conditions of the financial assistance awards’ agreements
  - Expended federal funds in accordance with the terms of award agreements and those provisions of federal law or regulations that could have a material effect on the financial statements or on the financial assistance awards tested
### High-level Single Audit FAQs

<table>
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<tr>
<th>Who Is Subject to a Single Audit?</th>
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<tr>
<td>• Auditees which meet the $750,000 expenditure threshold within their fiscal year</td>
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<td>• <strong>Note:</strong> For-profit organizations and foreign entities are NOT subject to Single Audits unless required due to unique circumstances</td>
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<th>Who Conducts Single Audits?</th>
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<td>• Independent Auditors procured or otherwise arranged by Auditees</td>
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<th>When are Single Audits Conducted?</th>
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<td>• An Auditee’s Single Audit is conducted after the conclusion of their fiscal year</td>
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<tr>
<td>• Single Audit reporting packages are due to the Federal Audit Clearinghouse (FAC) the earlier between 30 calendar days after receipt of an Auditor’s report, or within nine months after the Auditee’s fiscal year end</td>
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<th>What Types of Programs are Subject to Single Audits?</th>
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<tr>
<td>• Programs that award federal financial assistance (e.g., grants, cooperative agreements, direct payments for specified use awards, and loans)</td>
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OMB is responsible for issuance and maintenance of Single Audit regulations, annual Compliance Supplement, and coordinating with federal awarding agencies.

The Federal Audit Clearinghouse (FAC) collects and disseminates single and program-specific audit reports and information on behalf of the OMB.

GAO is responsible for issuance of the Generally Accepted Government Auditing Standards (GAGAS) and performing Government-wide reviews and studies.

Federal Awarding Agencies

DEPARTMENT OF THE TREASURY
Auditees are responsible for arranging their Single Audits and ensuring they are performed properly. Auditees must establish internal controls and evaluate or monitor compliance with federal statutes, regulations, and the terms and conditions of their awards.

Key Auditee responsibilities include:

- Procure audit *(hire the Auditor)*
- Prepare financial statements, including SEFA
- Provide the Auditor with access to necessary documents
- Follow-up and take corrective action on audit findings
Auditors determine whether the Auditee’s internal control systems provide reasonable assurance that it is managing federal awards in compliance with applicable laws, regulations, and agreement terms.

**Key Auditor Responsibilities (2 CFR 200.514; 200.516)**

Auditors determine whether the Auditee’s internal control systems provide reasonable assurance that it is managing federal awards in compliance with applicable laws, regulations, and agreement terms.

**Key Auditor responsibilities include:**

1. Conduct the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS)*
2. Determine whether the Schedule of Expenditures of Federal Awards is stated fairly
3. Determine whether the financial statements of the Auditee are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP)**
4. Perform procedures to obtain an understanding of internal control over federal programs
5. Determine whether the Auditee has complied with federal statutes, regulations, and terms and conditions of federal awards
6. Follow-up on prior audit findings
   - Perform procedures to assess the reasonableness of the summary schedule of prior audit findings
   - Indicate when the summary of prior audit findings materially misrepresents the status of any prior audit findings

*Generally Accepted Government Auditing Standards (GAGAS)
**Generally Accepted Accounting Principles (GAAP)
### Auditee Responsibilities

- Establish and maintain effective internal control over federal awards
- Comply with federal statutes, regulations, and the terms and conditions of each award
- Procure and arrange for the audit
- Prepare financial statements and Schedule of Expenditures of Federal Awards (SEFA)
- Follow up and take corrective action on audit findings identified by Auditors, including preparing a summary schedule of prior audit findings, and a corrective action plan for current audit findings
- Submit the SF-SAC Data Collection Form, and the single audit report package to the Federal Audit Clearinghouse (FAC). Ensure the documents do not contain any personally identifiable information (PII)

### Auditor Responsibilities

- Conduct audit in accordance with GAGAS, 2 CFR Part 200, Subpart F, and the Compliance Supplement, if applicable
- Determine whether Auditee financial statements are presented fairly in all material respects in conformity with GAAP
- Test the Auditee's internal controls
- Determine whether the Auditee complied with applicable statutes, regulations, and terms and conditions of federal awards
- Follow up on the status prior-year audit findings schedule and related corrective action plan (e.g., implemented, in progress, or repeat)
- Complete and sign the specified sections of the SF-SAC in the FAC
Compliance Supplement Overview

What is the Compliance Supplement?

- 2 CFR Part 200, Subpart F – Audit Requirements includes broad instructions for Agencies, Auditees (i.e., recipients, subrecipients), and Auditors for how to conduct Single Audits and program-specific audits.

- OMB issues the Compliance Supplement annually to provide Auditors with guidance and program-specific instructions for how to evaluate Auditees that is distinct from what is required in 2 CFR Part 200.

- Prior to 2019, Auditors were required to evaluate 12 Compliance Requirements for every major program based on the major program threshold for each Auditee (also known as the Type A/B threshold).

- Since 2019, Agencies must identify up to 6 Compliance Requirements which Auditors should evaluate for each program in the Compliance Supplement, this is also known as A/B plus 5.

- In the absence of a Compliance Supplement, Auditors evaluate all 12 Compliance Requirements.
## Compliance Supplement Objectives and Impacts

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<th>Objectives</th>
<th>Impacts</th>
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<td><strong>Non-Federal Entities</strong></td>
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<td>Resource to understand Single Audit Compliance Requirements and program-specific audit requirements</td>
<td>• Non-Federal entities are required to ensure that Auditors follow the Single Audit instructions in the Compliance Supplement</td>
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<td><strong>Auditors</strong></td>
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| Provides direction on which 6 of the 12 Compliance Requirements to focus testing for programs and how to test them | • Direction and testing instructions reduce Auditor burden by narrowing the scope of Single Audits  
• Auditors provide more in-depth, targeted analysis on programs included in the Compliance Supplement |
Compliance Supplement Sections

PART 1
Background, Purpose, and Applicability

PART 2
Matrix of Compliance Requirements

PART 3
Compliance Requirements

PART 4
Introduction-Agency Program Requirements

PART 5
Clusters of Programs

PART 6
Internal Control

PART 7
Guidance For Auditing Programs Not Included in This Compliance Supplement

Appendices
# 2023 HAF Compliance Matrix View in the Supplement

Link to the [2023 HAF Compliance Supplement](#)

## COMPLIANCE REQUIREMENTS

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<th>A</th>
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<th>C</th>
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### HAF Compliance Requirements

- **A.** Activities Allowed or Unallowed
- **B.** Allowable Costs/Cost Principles
- **E.** Eligibility
- **G.** Matching, Level of Effort, Earmarking
- **H.** Period of Performance
- **L.** Reporting
- **M.** Subrecipient Monitoring
Once the Single Audit is completed, the “report package” submitted to Federal Audit Clearinghouse will include:

- Auditor’s report on the financial statements of the entity and SEFA evaluation
- Auditees financial statements and SEFA
- Auditor’s report(s) on internal control over financial reporting, compliance and other GAGAS requirements
- Auditor’s report on compliance and internal control over compliance (major programs)
- Auditor’s schedule of current findings and questioned costs
- Auditee’s summary schedule of prior-year audit findings, if applicable
- If available, the Auditee’s corrective action plan of current year findings
Questions and Contact Info

• Questions?

• Please direct any single audit questions to:

• Nasr Fahmy, ORP Single Audit Advisor
  • 202-527-4036
  • Nasr.Fahmy@treasury.gov