

Webinar on updated FAQ Guidance, Single Audit, and the Alternative Compliance Examination

Presenters:

Neetika Prabhakar

Neetika.Prabhakar@hagertyconsulting.com

Benjamin Shay - Benjamin.Shay@hagertyconsulting.com

DBM.MARYLAND.GOV



410-260-7041

Presentation Schedule

- Presentation on critical updates to Treasury's guidance from the updated FAQ
- Presentation on Single Audit and the Alternative Compliance Examination Engagement (ACEE)

SLFRF Frequently Asked Questions

Recent Updates

DBM.MARYLAND.GOV



410-260-7041

Overview

- Treasury has released FAQ pursuant to the Final Rule
- Periodically, updates and modifications are added
- On July 27th, several guidance updates were released, relating to:
 - Uniform Guidance provisions applicable under revenue loss
 - Standard Allowance
 - Water, Sewer, and Broadband Infrastructure
 - Affordable Housing

Uniform Guidance and Revenue Loss

- Recipients' use of revenue loss funds does not give rise to subrecipient relationships.
- Revenue Replacement is reported under Expenditure Category 6. There are no subawards for this category, since revenue loss does not give rise to any subrecipient relationships.
- NEUs should still follow any and all state and local laws and regulations and their own standard practices.
 - For example, for contracts of at least \$100,000, Maryland local governments must provide provide payment security and performance security

Uniform Guidance and Revenue Loss (cont'd)

Recipients spending funds under the revenue loss provision (including if selecting the standard allowance) must follow Uniform Guidance Subparts A – C and F. Only certain sections of Subparts D and E apply.

For example, the following sections of Subparts D & E DO NOT apply to funds spent under revenue loss include:

- Procurement
- Program Income
- Equipment - Use and Disposition
- Property Standards
- Subrecipient Monitoring

All Maryland and local rules and regulations, and standard procedures for each of these areas DO apply to funds spent under revenue loss.

Uniform Guidance and Revenue Loss (cont'd)

- Recipients must follow their established practices and policies regarding the incurrence of costs, and they should expend and account for the funds in accordance with laws and procedures they utilize for their own funds.
- Recipients' use of revenue replacement funds remains subject to all other applicable requirements of the CLFRF program and Uniform Guidance, including the deadlines for obligations and expenditures.

Definition of Obligation

- An obligation means “an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.” Treasury recognizes that recipients may obligate funds through means other than contracts or subawards, like in the case of payroll costs.
- For example, a recipient may have incurred an obligation even though the recipient and its employee may have not yet entered into an employment contract.
- In these circumstances, recipients must follow state and local laws and their own established practices and policies regarding when they are considered to have incurred an obligation and how those obligations are documented.

Standard Allowance

- A recipient can change their election (standard allowance vs. calculation) for revenue loss in the reporting portal. The previous election will be superseded.
- Recipients cannot change the revenue loss election after April 30, 2023.
- Municipalities that have elected to calculate revenue loss instead of the standard allowance must employ one methodology of calculation across the entire period of performance.

Water, Sewer, and Broadband Infrastructure

- CLFRF awards are not subject to Build America, Buy America provisions set forth in the Infrastructure Investments and Jobs Act.
- CLFRF awards are not subject to Section 106 of the National Historic Preservation Act.
- Exceptions to the above are for projects that are funded by CLFRF in conjunction with other federal funding sources which due require adherence to those provisions, as applicable.

Affordable Housing

Treasury has released guidance on using CLFRF for Affordable Housing Production and Preservation and now allows for two assumptions to determine project eligibility:

1. Any project that is eligible under any of these federal housing programs is eligible. This list is expanded from the list under previous guidance.
 - The National Housing Trust Fund (HTF, administered by HUD)
 - The Home Investment Partnerships Program (HOME, administered by HUD)
 - The Low-Income Housing Tax Credit (administered by Treasury)
 - The Public Housing Capital Fund (administered by HUD)
 - Section 202 Supportive Housing for the Elderly Program and Section 811 Supportive Housing for Persons with Disabilities Program (administered by HUD)
 - Project-Based Rental Assistance (PBRA) (administered by HUD)
2. Investment in an affordable rental housing unit is eligible if the unit has a limited maximum income of 65% area median income (AMI)

Affordable Housing (cont'd)

- Treasury has clarified that:
 - Mixed income projects may be eligible for funding amounts of the project proportionate to the percentage of the development that qualifies under the project eligibility standards; and,
 - Down payment assistance remains eligible pursuant to the final rule.
- Recipients may use CLFRF funds to make loans funding the full principal amount of the loan that extend beyond the general period of performance to finance affordable housing projects, if the loan and project meets certain requirements relating to term length, eligibility affordability, and tax credits.

Single Audit and the Alternative Compliance Examination

DBM.MARYLAND.GOV



410-260-7041

Overview

- Single Audit Purpose and Requirements
- CLFRF Compliance Requirements as part of Single Audit
- CLFRF Alternative Compliance Examination Engagement (ACEE)
- NEU and Subrecipient Responsibilities
- Timing, Engagement Letters and Next Steps

What Examination is Required?

	In a fiscal year, expended \$750,000 or more in federally awarded funds (excluding CLFRF)	In a fiscal year, expended \$750,000 or more in federally awarded funds (if you include CLFRF) but less than \$750,000 if you exclude CLFRF	In a fiscal year, expended less than \$750,000 in federally awarded funds
Total ARPA CLFRF Award: over \$10MM	Single Audit Required	Single Audit Required	No requirement
Total ARPA CLFRF Award \$10MM or less	Single Audit Required	Option of either Single Audit or Alternative Compliance Examination Engagement Required	No requirement

Single Audit - Uniform Guidance 200.503

- **Purpose**
 - Assist with oversight of activities and subrecipients
 - Ensure compliance with program requirements and federal and local, policies, and guidance
 - Improve accountability and best practices
- **Required Entities:** Non-federal entities who **expend** \$750,000 or more in federal awards during their fiscal year and who are not eligible for the Alternative Compliance Examination
 - Recipients
 - Subrecipients
- **Audit Examination Includes:**
 - Review of documents and transactions
 - Policies and procedures (program, financial, and procurement)
 - Procurement transactions (RFQs/RFPs, selections, contracts)
 - Budgets and financial statements
 - Financial systems
 - Interviews with executives and staff

CLFRF Single Audit Matrix of Compliance Requirements

The below table illustrates compliance requirements for entities who *are* required to undergo a single audit.

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
Y	Y	N	N	N	N	Y	Y	N	Y	Y	N

CLFRF Areas Examined Under Single Audit – Part 1

Activities Allowed or Unallowed

- Were funds (such as CLFRF funds) spent only on eligible activities?
- Were funds spent on any explicitly disallowed activities?
- For those who did not select the standard allowance, was revenue loss calculated correctly?

Allowable Costs/Cost Principles

- [2 CFR 200 Subpart E](#) (Cost Principles) generally applies

CLFRF Areas Examined Under Single Audit – Part 2

Period of Performance

- Costs may only be used to cover expenses incurred by the recipient between March 3, 2021 and December 31, 2024

Procurement, Suspension and Debarment

- Recipients are responsible for carrying out compliant procurement processes for contracts under CLFRF
- Recipients are responsible for ensuring that subawardees (subrecipients) and contractors are not suspended, debarred, or excluded under 31 CFR section 19.300

DBM.MARYLAND.GOV



410-260-7041

CLFRF Areas Examined Under Single Audit – Part 3

Reporting

- Recipients must have submitted all required reports, and have included all required information
- SF-270, SF-271, SF-425, and FFATA do not apply

Subrecipient Monitoring

- [2 CFR 200 Subpart D](#) (Subrecipient Monitoring) applies to all subawardees and subrecipients, though not to beneficiaries
- Projects funded under the Revenue Loss Clause do not give rise to Subrecipient relationships

Alternative Compliance Examination Engagement

- To reduce the burden of Single or Program-Specific Audits, OMB has devised an alternative approach for CLFRF recipients that would not be required to undergo an audit if not for the award and expenditures of CLFRF funds.
- Recipients are eligible for the Alternative Compliance Examination if the recipient expends \$750,000 or more in Federal awards during your fiscal year and meets **both** criteria listed below:
 - 1) Total SLFRF award received directly from Treasury is at or below \$10 million; and
 - 2) Other Federal award funds the recipient expended (not including their CLFRF award funds) are less than \$750,000 during the recipient's fiscal year
- Eligible NEUs that meet the above criteria must choose whether they want to conduct an Alternative Compliance Examination Engagement or the Single Audit.

CLFRF ACEE Matrix of Compliance Requirements

The below table illustrates compliance requirements for entities who have the option to undergo a CLFRF Alternative Compliance Examination

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
Y	Y	N	N	N	N	N	N	N	N	N	N

CLFRF Areas Examined Under ACEE

Activities Allowed or Unallowed

- Were funds (such as CLFRF funds) spent only on eligible activities?
- Were funds spent on any explicitly disallowed activities?
- For those who did not select the standard allowance, was revenue loss calculated correctly?

Allowable Costs/Cost Principles

- [2 CFR 200 Subpart E](#) (Cost Principles) generally applies

CLFRF Areas Examined Under ACEE

- The requirements for internal control in 2 CFR 200.514(c) are not relevant to the engagement, although AT-C 315, paragraph .15, still requires the practitioner to obtain an understanding of relevant portions of internal control over compliance sufficient to plan the engagement and to assess control risk for compliance with specified requirements.
- The engagement still involves testing of the compliance requirements described below and results in a related examination opinion which is similar to the compliance opinion provided under 2 CFR Part 200, Subpart F.

Who can conduct an Alternative Compliance Examination Engagement?

- Eligible recipients must engage the services of an auditor or other qualified practitioner to perform the ACEE. Treasury is identifying these potential resources as a convenience, but it does not endorse these or any other auditing services.
- To find a practitioner, recipients could consider the following resources:
 - State Boards of Accountancy
 - State CPA Societies
 - American Institute of Certified Public Accountants (AICPA) [Peer Review Directory](#)
 - [AICPA Governmental Audit Quality Center](#) member listing
- The Government Accountability Office (GAO) directs practitioners to conduct engagements in accordance with the AICPA Statements on Standards for Attestation Engagements
- AICPA attestation standards are located in the “AT-C” section of the AICPA’s Professional Standards and [AT-C Section 315, Compliance Attestation](#)

NEU and Subrecipient Responsibilities §200.508

- Select Auditor
- Ensure audit is properly performed and submitted
- Prepare required and relevant financial statements, files and documents ahead of time
- Provide auditor access
- Follow up and take corrective action as applicable
- Recipients are responsible for ensuring that audit findings are rectified

DBM.MARYLAND.GOV



410-260-7041

Recipient and Subrecipient Responsibilities

Uniform Guidance §200.508

- Prepare financial statements (200.510)
 - Must reflect:
 - Its financial position
 - Results of operations or changes in net assets
 - Cash flows (where applicable)
 - Must include schedule of expenditures for Federal Awards
 - For the period covered by the financial statements
 - Include the total Federal awards expended
- Provide auditor access to:
 - Personnel
 - Accounts
 - Books
 - Records
 - Supporting documentation and other information

Recipient and Subrecipient Responsibilities

Uniform Guidance §200.508

- Follow-up and take corrective action as required (200.511)
 - Prepare summary schedule of prior audit findings, which must:
 - Report the status of all audit findings and questioned costs
 - Include findings reported in the prior audit's summary schedule (except for findings that are corrected)
 - Include findings related to the financial statements and reference numbers assigned by the auditor
 - Include the fiscal year in which the finding initially occurred
 - Prepare corrective action plan for current year findings, which must:
 - Address each audit finding in the current auditor report
 - Provide the name(s) of person responsible for the corrective action
 - Provide the corrective action planned and anticipated completion date
 - Include explanation and specific reasons if you do not agree with the audit findings or believe corrective action is not required.
 - Include findings related to the financial statements and reference numbers assigned by the auditor

Auditor Selection - Uniform Guidance §200.509

- Procure auditor and ensure audit is properly performed and submitted
 - Procure in accordance with Subpart D §§200.317 – 200.326
 - Make objectives and scope clear
 - Request copy of the auditor’s peer review report
 - Consider
 - Responsiveness to the RFP
 - Relevant experience
 - Availability of staff with professional qualifications and technical abilities
 - Results of peer and external quality control reviews
 - Price
- Restricted from selecting an auditor that prepared your indirect cost proposal
- May use Federal auditors if they comply with requirements
- Must be procured in accordance with CLFRF, state, and local procurement guidelines

Helpful Tips

- Review all requested documents before you submit to the auditor
 - Find the missing documents, files, and information
 - Reach out to organizations or people that might have a copy
 - Draft documents that you have not developed yet
- Provide the auditor what they requested
 - Nothing more
 - Nothing less
- Have staff available when an auditor reviews files
- Make sure files are neat and organized
- Contact the contractor, property manager, homeowner/renter, etc. if they request a site visit

DBM.MARYLAND.GOV



410-260-7041

Additional Information

- Both Single Audits and Alternative Compliance Examinations should be conducted according to the entity's fiscal year.
- Examinations typically begin after the entity's fiscal year closeout process has been completed.
- Audit CLFRF funds expended in your fiscal year 2022 in accordance with
 - On or prior to March 31, 2022: The requirements set forth in the Act, Treasury's Interim Final Rule, Treasury's Final Rule, and Frequently Asked Questions (FAQs) that were in effect at the time of those expenditures
 - On or after April 1, 2022: The Final Rule at 31 CFR Part 35 and FAQs that are in effect at the time of those expenditures
- Single audits must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period (2 CFR 200.512). The Alternative Compliance Examination is due on the same timeline.
- Single Audits and Alternative Compliance Examinations with a fiscal period ending in 2022 will be submitted to the General Services Administration (GSA) Federal Audit Clearinghouse (FAC) beginning on October 1, 2022

Audit Engagement Letters

- Audit engagement letter includes:
 - Scope of the engagement
 - Compliance areas of focus (compliance requirements)
 - Deliverables due as part of the audit
- Key elements are, but not limited to:
 - The responsibilities of both the auditor and auditee under the audit
 - Communication and relationship standards to ensure the independence and objectivity of the independent audit
 - The scope of information the auditee will provide to the auditor
 - A list of component units and funds being audited
 - Objectives of the audit
 - Audit procedures for each portion of the audit, including finances, internal controls and procedures
 - Agreements on the administration and cost of the audit
 - Dispute resolution
 - Form of deliverable

Considerations

- Many audits will return with findings
 - These are areas that the auditor has identified as potentially problematic or areas for improvement
 - Findings must be corrected
 - Recipients are ultimately responsible for correcting subrecipients' audit findings
- Audit findings should be viewed as helpful information
 - Implement processes and procedures to mitigate non-compliance and strengthen any areas identified for improvement
 - Provide training and technical assistance to staff and subrecipients to support achievement of project goals and compliance with program requirements and Federal regulations
 - Research best practices to strengthen oversight and administration of the Federal award
- Comparing audits from previous and successive years is a great way to track year over year improvements and identify recurring concerns

What Did We Learn?

Updates to FAQ Guidance

- Standard Allowance
- Infrastructure
- Uniform Guidance and Revenue Loss
- Obligation
- Affordable Housing

Single Audit

- Single Audit Purpose and Requirements
- CLFRF Compliance Requirements as part of Single Audit
- CLFRF Alternative Compliance Examination Engagement
- NEU and Subrecipient Responsibilities
- Timing, Engagement Letters and Next Steps

Next Steps

- The NEU Technical Assistance Team is holding Office Hours this Thursday, August 25th, from 3-4 PM. This session will be dedicated to the changes to the FAQ, including the changes to compliance requirements for projects funded other revenue loss, addressed during today's presentation.
- Next week's Office Hours, which will be held August 29th at 10-11 AM, will be dedicated to discussing the Single Audit and the Alternative Compliance Examination Engagement (ACEE).
- As a reminder, questions can also be submitted to the [NEU Technical Assistance Portal](#) for a written response.

Resources

- [ARPA SLFRF Final Rule](#)
- [ARPA Updated FAQ](#)
- [Compliance Supplement](#)
- Emails have been sent to Portal Points of Contact for NEUs Treasury believes may be eligible about the Alternative Compliance Examination (ACEE)
- To find an audit or ACEE practitioner, recipients could consider the following resources:
 - State Boards of Accountancy
 - State CPA Societies
 - American Institute of Certified Public Accountants (AICPA) [Peer Review Directory](#)
 - [AICPA Governmental Audit Quality Center](#) member listing
- AICPA attestation standards are located in the “AT-C” section of the AICPA’s Professional Standards and [AT-C Section 315, Compliance Attestation](#)