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Government Finance Officers Association
of Missouri
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Grant Accounting, Reporting and
Compliance Issues

by:

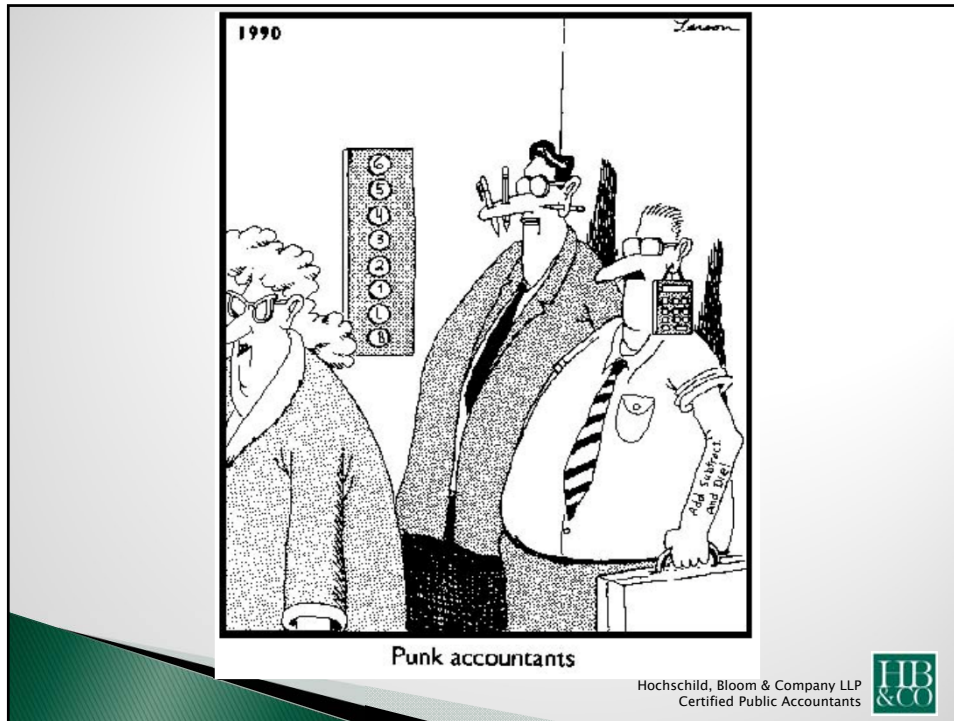
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Presentation Outline

- ▶ Accounting
- ▶ Tracking
- ▶ Reporting
- ▶ Audit issues
- ▶ Compliance issues
- ▶ Grant internal controls
- ▶ Other guidance

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Grant Accounting

General Ledger:

- ▶ Cash Receipts
- ▶ Cash Disbursements
- ▶ Funds –
 - Separate funds
 - Combined funds
- ▶ Computerized programs and systems
- ▶ Accrual issues

Grant Accounting–Cash Receipts and Disbursements

- ▶ **Cash Receipts:**
 - **Issues –**
 - Many times not regular cash receipts
 - Amounts received but unknown source
 - **Systems/solutions –**
 - Have departments provide request for reimbursements to accounting?
 - Who is tracking if money is received after the reimbursement request?
 - Accounting department apply for reimbursements?
- ▶ **Cash Disbursements –**
 - Additional tracking due to requirement to summarize expenditures and/or send copies of invoices, support and cleared checks to granting agency
 - Post to separate general ledger account
 - Project accounting–helpful to track individual projects

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Grant Accounting–Funds and Systems

- ▶ **Funds and Related Issues –**
 - **Separate funds – easier tracking of individual funds revenues and expenditures.**
 - **Combined funds –**
 - More difficult tracking but don't have to add funds and accounts.
 - Perhaps add separate line item revenues and expenditures
- ▶ **Computerized programs and systems:**
 - **Program (voodoo) accounting, tracks expenditures wherever recorded on the GL**
 - **Project accounting, may cover various years**

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Grant Accounting–Accrual Issues

▶ **Matching Principle:**

- Spending \$ = revenue \$
- Accrued payables = accrued expenditures
 - Expenditures are incurred for reimbursable grants
 - GAAP
 - Example
 - \$100,000 expenditures
 - 80,000 reimbursed
 - 20,000 net City cost

DR Exp	100,k	
CR Cash (or Payable)		100,k
DR AR Grants	80,k	
CR Grant Rev		80,k
SEFA Expenditure = \$ <u>80,000</u>		

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Grant Accounting–Accrual Issues

▶ **Retainage:**

- Construction retainage, if payable, then also a potential receivable

▶ **Offsetting:**

- NO !!! – not GAAP
- Grants mean more expenditures – which also means more revenues

▶ **Other issues:**

- Advances of grant revenues = deferred revenue
- Cash (or modified cash) basis is different
 - Grant expenditures are reported on the SEFA when money is spent

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Grant Accounting–Tracking

- ▶ **Various vendor contracts:**
 - **Tracking on Excel (or similar)**
 - **Contract totals, by contractor**
 - **Individual contract payments**
 - **Total contract payments**
 - **Support for expenditure incurred**
 - **Reconciliation to the general ledger:**
 - **Expenditures and revenues general ledger should also agree to the grant (Excel) schedule.**
 - **Receivables and deferred revenue should agree to grant (Excel) schedule.**
- ▶ **Restricted revenues should be used per restriction and a system should be in place to monitor expenditures and balances.**
- ▶ **Grant money – Grant revenue should be in same fund that spent the money.**

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Grant Accounting–Reporting

- ▶ **All grants are different:**
 - **Requests for reimbursements:**
 - **Qualified expenditures support**
 - **Quarterly/monthly reports:**
 - **Have someone double check**
 - **Year–end reports:**
 - **Summaries for auditors and granting agencies**
- ▶ **Controls:**
 - **Have someone double check**

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Grant Accounting–Audit Issues

- ▶ Auditor's perspective:
 - Financial statements:
 - Grant schedules that have proper support
 - Agree to the general ledger
 - Match proper revenues and expenditures
 - Compliance issues:
 - Are there any compliance issues?
 - Single Audit:
 - Test of major programs compliance and internal controls

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Grant Accounting–Compliance Issues

- ▶ Compliance for all grants is unique:
 - Federal compliance issues:
 - Contracts with Federal agency
 - State compliance issues:
 - Contracts with State agency
 - Local grant compliance issues:
 - Local parks grant commission
 - Other compliance issues:
 - Contracts with contractors must include all applicable requirements
- ▶ Be knowledgeable regarding General and Specific compliance requirements which apply to most grants.

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Grant Accounting–Compliance Issues

- ▶ **Tips and Tricks:**
 - **Grant or payment to/from subrecipient vs. contractor**
 - Subrecipients carry out an eligible activity that meets the same general requirements of the City grant. Subrecipients are subject to the terms of the audit requirements.
 - Contractors work for the City under terms of a contract that is paid as compensation for its services. A contractor is selected to provide goods or services at a contract price through the procurement process.
 - If in doubt, check with funding source.
 - **Don't wait until the auditors to show up. Work with City departments to determine:**
 - CFDA and project #
 - If \$ are Federal since maybe from State or other sources

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Grant Accounting–Compliance Issues

- ▶ **Uniform Guidance (UG) vs. A-133: The new mandate that the federal Office of Management and Budget (OMB) put into effect at the end of 2014 -**
 - **Code of Fed Reg:** <https://www.ecfr.gov/cgi-bin/text-idx?SID=94d704978327cf918a40f8a923a29418&node=pt2.1.200&rgn=div5>
 - **Audit Threshold:** The Uniform Guidance raises the threshold for single audits to \$750,000, reducing the administrative costs for approximately 5,000 governments and nonprofits.
 - **Procurement:** The Uniform Guidance requires that government use consistent documented procurement processes when purchases are made using federal funds.
 - **Audit risk assessment changes:**
 - Including - Cash (non GAAP) basis - cannot be considered low-risk.

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Grant Accounting–Compliance Issues

Auditor’s Determination if Auditee is a Low–Risk Auditee. Generally ALL must be YES for the previous two audit periods:

- ▶ **Single Audits performed**
- ▶ **Auditor’s opinion states GAAP**
- ▶ **No material weaknesses**
- ▶ **No going concern issues**
- ▶ **No Type A program material weakness, modified opinions, or questioned costs exceeding 5%.**

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Grant Accounting–Compliance Issues

Auditee responsibility – Summary

- ▶ **The non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.**
- ▶ **Internal controls should be in compliance with guidance in:**
 - **the “Internal Control Integrated Framework”, issued by COSO (the Committee of Sponsoring Organizations) and,**
 - **“Standards for Internal Control in the Federal Government” [Green Book] issued by the Comptroller General of the United States**

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Grant Accounting–Compliance Issues

Auditee responsibility – Summary (cont.):

- ▶ **Compliance**
- ▶ **Internal Control over Compliance**
 - **Identify UG awards**
 - **Understand internal control over compliance in areas such as:**
 - **Procurement**
 - **Subrecipient monitoring**
 - **Allowable costs**
 - **Reporting**
 - **Maximum grant reimbursement**
 - **Period of availability**

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Grant Accounting–SEFA Issues

Schedule of Expenditures of Federal Awards (SEFA)

- ▶ **Client prepares, similar to financial statements, auditors audit.**
- ▶ **Face of SEFA must include:**
 - **Noncash assistance**
 - **Loan programs**
 - **Loan guarantee programs**
 - **Amounts passed through to subrecipients**
- ▶ **Notes to SEFA must include:**
 - **Year-end loan balances**
 - **Whether or not the entity used the 10% de minimis cost rate**
 - **Significant accounting policies**

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Grant Accounting–SEFA Issues

Schedule of Expenditures of Federal Awards (continued)

Auditees should accumulate and document key information relating to each federal program—from AICPA Governmental Audit Quality Center:

- (a) Type of federal financial assistance.
- (b) Federal agency prefix and *Catalog of Federal Domestic Assistance* (CFDA) three-digit extension (or other identifying federal numbers when the CFDA information is not available). This Web site may help in locating CFDA numbers: www.cfda.gov,
- (c) Federal agency name.
- (d) Name of individual federal program or cluster of programs (cluster) name.
- (e) Is this a cluster? If yes, list individual programs within the cluster.
- (f) Award number(s).
- (g) Award period.

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Grant Accounting–SEFA Issues

Schedule of Expenditures of Federal Awards (continued):

- (h) Award amount.
- (i) Was any portion of the award passed through to subrecipients?
- (j) If so, total amount(s) passed through to subrecipients.
- (k) Is the award a subaward? If so, what is the identifying number assigned by the pass-through entity?
- (l) Pass-through entity name.
- (m) Do any of the awards (or subawards) include noncash assistance?
- (n) Does any aspect of the program include loans or loan guarantees?
- (o) Has the federal agency or the pass-through entity requested that this program be audited as major under the provisions §200.518(c)(2) of the Uniform Guidance?
- (p) Name and contact information for Program Manager(s).

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Grant Accounting–CAP

Corrective Action Plans

If findings are reported by auditors, a CAP is in a document separate from the auditor's findings, that:

- ▶ addresses each audit finding included in the current year auditor's reports.
- ▶ provides the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.
- ▶ includes an explanation and specific reasons if the auditee does not agree with the audit findings or believes corrective action is not required.

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Grant Accounting–SSPAF

Summary Schedule of Prior Audit Findings (SSPAF)

A Summary Schedule of Prior Audit Findings (SSPAF) as required by §200.511 addresses each audit finding included in the current year auditor's reports.

Additionally, §200.511 also states that the SSPAF must be prepared by the auditee.

Hint – While it does not specify that the SSPAF be included in a document separate from the auditor's findings, including the SSPAF as part of the auditor's SFQC may lead federal agencies and other users of the report to question who prepared the information.

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Grant Accounting–DCF

Data Collection Form –

<https://harvester.census.gov/facweb/FAQs.aspx>

FAC – Federal Audit Clearinghouse

Q: What is required in the audit submission to the Federal Audit Clearinghouse?

A: For complete submission requirements, please locate the Single Audit Checklist for the appropriate year on our Instructions and Documents website.

Q: How do I get a DUNS (Data Universal Numbering System) number for my organization?

A: Find instructions for getting a DUNS number at www.grants.gov

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Grant Accounting–DCF

Data Collection Form – <https://harvester.census.gov/facweb/FAQs.aspx>

Q: When are Form SF-SAC and the Single Audit reporting package due?

A: The audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year —whichever comes first. See OMB Circular A-133 § ____.320 (a) and Uniform Guidance 2 CFR 200.512(a) for additional information and exceptions

Q: How do I request an extension on the due date?

A: Federal agencies **no longer grant extensions for Single Audit submissions. If the auditee or auditor wishes to inform the Federal agency they will be late, he or she may do so by contacting the Federal Oversight or Cognizant Agency for the audit. Please refer to Item 7, pages 5 & 6 of the OMB Memorandum M-10-14 PDF for additional guidance regarding extensions.**

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UG Client Responsibilities

The AICPA [GAS/SA Audit Guide, Paragraph 5.35](#), clarifies responsibilities for a Uniform Guidance audit. It lists the following management responsibilities:

- ▶ Identifying in its accounts all federal awards received and expended and the federal programs under which they were received. This should include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and name of the pass-through entity (if any).
- ▶ Complying with federal statutes, regulations, and the terms and conditions of federal awards.
- ▶ Establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards.
- ▶ Procuring or otherwise arranging for the audit required under the Uniform Guidance and ensuring it is properly performed and submitted when due.

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UG Client Responsibilities (cont.)

- ▶ Evaluating and monitoring noncompliance with federal statutes, regulations, and the terms and conditions of federal awards.
- ▶ Taking prompt action when noncompliance is identified, including noncompliance identified in audit findings.
- ▶ Promptly following up and taking corrective action on audit findings (including preparing a summary schedule of prior audit findings and a separate corrective action plan).
- ▶ Taking reasonable measures to safeguard protected personally identifiable information and other information the federal awarding agency or pass-through entity designates as sensitive or the entity considers sensitive consistent with applicable federal, state, and local laws regarding privacy and obligations of confidentiality.
- ▶ Providing the auditor with access to personnel, accounts, books, records, supporting documentation, and other information needed for the audit.

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UG Client Responsibilities (cont.)

- ▶ The Uniform Guidance, at 2 CFR section 200.508(b), requires the auditee to prepare appropriate financial statements, including a schedule of expenditures of federal awards. The requirement to present a schedule of expenditures of federal awards means that the auditee should identify all of its federal programs (direct and indirect, major and nonmajor) and related awards expended. As part of the planning process, the auditee should provide the auditor with the schedule of expenditures of federal awards as well as information reconciling the schedule to the financial statements and underlying accounting records, such as the general ledger and reimbursement requests.

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Audit Standards Client Responsibilities

Auditing standards **AU-C 935.08**–Auditee's responsibilities to encompass compliance requirements. It indicates that auditee management is responsible for the following:

- Identifying the entity's government programs and understanding and complying with their compliance requirements.
- Establishing and maintaining effective controls that provide reasonable assurance government programs are administered in compliance with the compliance requirements.
- Evaluating and monitoring compliance with the compliance requirements.
- Taking corrective actions when noncompliance is identified

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Internal Controls

- ▶ Standard operating procedures
- ▶ Document procedures
- ▶ Examples of important systems for internal controls:
 - Payroll
 - Check disbursements
 - Cash receipts
 - Tone at the top
 - Anti-fraud program

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General Controls

- ▶ Is there segregation of duties?
- ▶ Are employees cross trained?
- ▶ Are approvals (initials, etc.) documented?
- ▶ Are the policies and procedures documented?
- ▶ Does the Finance Officer perform analytical reviews?
- ▶ Finance Officer and City Administrator should ask questions.

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Pitfalls To Avoid – Audit Issues

Auditor's Independence issues:

- Auditors should not determine the amounts and disclosures for the financial report.
- Auditors should not be the internal bookkeeper for the entity being audited.
- Auditors can provide training and consulting.
- Auditors can process certain data as long as client assumes responsibility.

Auditors look for SKE in client's personnel (Auditee Skills, Knowledge and Experience):

- Lack of this can cause independence issues, significant deficiencies, and/or material weaknesses.

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Pitfalls To Avoid – Audit Issues

- Review support for numbers before auditors show up:
 - All balance sheet items should be verified – receivables, payables, revenues, expenditures, etc.
 - Significant changes in balances should be known. Review before the auditors show up.
 - Explain items over or under budget.
- Discuss any big changes before auditors start the audit.
- Communicate and document timing.
- Follow-up with comments/findings from last year.
- Discuss potential findings early and often.

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Pitfalls To Avoid – Audit Issues

- Avoid Significant Deficiencies:
 - Provide accurate information for auditors
 - Auditor identified adjustments to amounts may be a significant deficiency.
 - Understand internal controls or compliance requirements.
 - Take educational classes.

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Helpful Hints:

1. AICPA Governmental Audit Quality Center Auditee Practice Aids,

a. The Schedule of Expenditures of Federal Awards –

http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/SingleAudit/UniformGuidanceforFederalRewards/DownloadableDocuments/Auditee_Practice_Aids_SEFA_Uniform_Guidance.pdf

b. The CAP and SSPAF –

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/AuditeeResourceCenter/DownloadableDocuments/PracticeIssueNotedWithAuditeeCAPandSSPAF.pdf?>

2. CFDA numbers – www.cfda.gov

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Questions and Discussion

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