



SINGLE AUDIT HANDBOOK

2018



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I. Single Audit Overview

A. Single Audit Requirement

Each year, the federal government provides over \$680 billion in grants to state, local, and tribal governments, institutions of higher education, and non-profit organizations. (These entities are referred to in this Handbook as “non-federal entities”.) Federal law requires that each non-federal entity that spends \$750,000 or more in federal grants in a year obtain an audit of its management of those grants—a so-called “Single Audit”.

The Single Audit is performed by an independent outside auditor and must conform to the following standards:

- The Single Audit Act;¹
- The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “*Uniform Guidance*”), issued by the Office of Management and Budget (“OMB”);²
- The annual *Compliance Supplement to the Uniform Guidance*, also issued by OMB;³ and
- The *Government Auditing Standards*, issued by the Comptroller General of the United States.⁴

B. The Purpose of the Single Audit

The purpose of the Single Audit is to ensure that each non-federal entity—in this case, the District government—is appropriately spending federal grant funds, effectively managing the grant programs, and using the grants in ways that are consistent with the legislative and regulatory requirements applicable to the grant program. More specifically, the auditor examines whether the District government has complied with the requirements described in the *Uniform Guidance* and in the *Compliance Supplement* and determines whether any non-compliance could have a direct and material effect on the major federal programs administered by the District.

The audit also serves as a tool for District agencies to identify their actual and potential operational weaknesses and to determine how grants can be better managed and how grant funds can be more efficiently and effectively spent.

If the audit results in findings of significant non-compliance by a District agency, the relevant federal agency may reduce the amount of funding provided to the District agency, deny future grant funding to the District agency, require the repayment of misspent funds, and/or impose other sanctions.

¹ 31 U.S.C. 7501 *et seq.*

² 2 CFR part 200. The *Uniform Guidance* supersedes and combines the requirements of a number of previous OMB circulars, including A-133.

³ The Compliance Supplement is an appendix to the Uniform Guidance.

⁴ The *Government Auditing Standards* are also known as the Generally Accepted Government Auditing Standards (GAGAS), or the Yellow Book. They are published by the Government Accountability Office. The current version is available at www.gao.gov/yellowbook.

C. Single Audit Process and Timeline

The Single Audit process starts each year in January. The first phase of the process is the selection of grant programs that will be audited. (The programs are selected by the auditor based on federal criteria.) After the programs are selected, the auditor holds a Single Audit kick-off meeting to announce the programs that will be audited and provide general information on the Single Audit process. The auditor then holds an individual entrance conference with each agency that has a program that will be audited; at the entrance conference, the auditor outlines the items needed from the agency to complete the audit and the timeline for the audit process. Audit field work will generally begin first at the agencies that receive significant dollars and/or have significant complexity.

The chart below describes the steps that occur during the Single Audit process in more detail:

Step	Description	Timing
<p>Selection of programs to be audited</p>	<p>The auditor requests the District’s Schedule of Expenditures of Federal Awards (SEFA), which details the District’s federal expenditures during the fiscal year that will be audited.</p> <p>The auditor then determines which of the federal grant programs administered by the District will be subject to the audit. This determination is made by examining a number of factors, generally including the factors below:</p> <ul style="list-style-type: none"> ➤ Whether the program was audited in one of the two most recent audit periods (major programs that were not audited in the prior two years are more likely to be audited) ➤ Whether, in the most recent period, the program had a high-risk audit finding, identified as: <ul style="list-style-type: none"> • Modified opinion • Material weakness in internal control • Known or likely questioned costs exceeding 5% of total program expenditures ➤ Changes in personnel or systems ➤ Prior year audit results (findings, opinions, questioned costs) ➤ Inherent risks within the District government ➤ Recent developments within the industry, regulatory environment, and general economic conditions (i.e., Uniform Guidance may require certain thresholds to be considered as part of the audit) ➤ Any significant changes in the District’s accounting policies and procedures ➤ Size of the grant program (i.e., dollar amount administered by the District) 	<p>January-March</p>

Kickoff meeting	The auditor holds a kickoff meeting for all agencies whose programs have been selected for the Single Audit. The agencies are asked to have a representative or their single audit team attend the kickoff meeting. OIO and OCA staff also attend the kickoff meeting. At this meeting expectations regarding the Single Audit process will be discussed and the Single Audit schedule will be provided to agencies.	March
Initial agency-specific meetings	The auditor holds an individual meeting with each agency whose programs will be audited. At the meeting, the auditor discusses audit logistics and sets expectations for the agency.	March - April
Request for information from agencies	Each agency receives a “Prepared by Client (PBC)” list from the auditor. The PBC contains a list of documents and information the agency must prepare and provide for the auditor.	April- May
Audit of programs	The auditor conducts the Single Audit fieldwork. During this time period, the auditor will often meet with agency staff and may request additional information and documents. In addition, the auditor will discuss potential findings with the agency during this time period.	May- June
Draft audit report issued	The auditor provides a draft findings report to the OCA’s Grants Management division and OIO. OCA’s Grants Management division forwards the draft report to the District agencies whose programs were audited.	June 15
Agency response	Agency management provides response to each of the audit findings. The management response states whether the agency concurs with the findings and describes the actions the agency will take to remediate the finding.	5 business days after receiving the report
Exit conferences	The auditor holds exit conference meetings with District agencies that had findings. The purpose of the meetings is for the auditor to describe the findings to the agencies.	June 15
Development of corrective action plans and work plans	Agencies with findings are required to submit remediation (“corrective action”) plans and associated, detailed work plans. (See the OCA Single Audit Corrective Action Policy for details.) The corrective action plans and work plans for each finding are submitted via the Quick Base application. Each corrective action plan and work plan is reviewed by OCA’s Grants Management division and by OIO, which may provide feedback to the agencies. Each corrective action plan and work plan must be approved by OCA’s Grants Management division and by OIO before it is finalized.	Within 15 days of the final single audit report. Typically June 30
Final audit report	Final audit report is issued by the auditor and submitted to the Federal Clearinghouse.	June 30

Response from federal government	The cognizant federal agency sends a letter to the District identifying the audit findings, making recommendations to address the findings, and describing any concerns or follow up items. Each federal agency whose programs were covered by the audit report may send separate letters to the District with respect to the resolution of the findings related to their programs. (Offices within the cognizant federal agency may also send such letters.)	July 1 to December 31
Implementation of corrective action plans	Agencies with findings implement corrective action plans and work plans. These plans should be implemented in the timeframe that has been given in the corrective action plans and work plans.	July 1 to December 31
Reporting on implementation of corrective action plans	Agencies provide status updates on their corrective action plans monthly in the Single Audit Reporting System in Quickbase.	Status updates should be submitted by the 15 th of each month.
Oversight Committee	During the audit and corrective action processes, the Single Audit oversight committee may request to meet with an agency to ensure that the agency is on task with the Single Audit process and/or is appropriately developing and implementing the corrective action plan.	Ongoing, throughout the audit and remediation process

II. Single Audit Roles

The Single Audit process is complex and requires the time and attention of many District offices and employees. It takes all parties working together, with a strong focus on the importance of the Single Audit, for the process to work successfully.

The sections below describe the main responsibilities of the offices and entities involved in the Single Audit.

A. Office of Integrity and Oversight (OIO):

The Office of Integrity and Oversight (OIO), within the Office of the Chief Financial Officer, is responsible for procuring and administering the contract for the auditor. In addition, OIO carries out the following functions:

- Compiling the District's Schedule of Expenditures of Federal Awards (SEFA) based on the agencies' SEFAs and information extracted from SOAR
- Managing the Single Audit Oversight Committee meetings, including taking meeting minutes
- Helping coordinate Single Audit activities with the auditor, agencies, and OCA's Grants Management Division
- Following up on issues related to the Single Audit process (such as procedural concerns raised by the auditor), often in conjunction with OCAs' Grants Management division, and alerting agencies of the consequences of not timely providing requested information or documents to the auditor.
- Reviewing Single Audit findings and corrective action plans in conjunction with OCA and providing feedback to agencies
- Preparing the Summary Schedule of Prior Audit Findings (the summary schedule describes prior year audit findings and corrective action plans, provides status updates, and provides reasons for reoccurrence if applicable) and agencies' corrective action plans for submission to the auditor.
- Following up on federal agencies' communications regarding Single Audit findings
- Preparing the federal Form SF-SAC for submission to the Federal Audit Clearinghouse during the close-out/reporting phase of the Single Audit.

B. OCA Grants Management Specialist

The OCA Grants Management Specialist serves as the District's primary non-program Single Audit point of contact with the Office of Integrity and Oversight (OIO) and the auditor. In that role, the OCA Grants Management Specialist is responsible for the following:

- Communicating on an ongoing basis with the auditor and OIO regarding the progress of the Single Audit and facilitating agency responses to auditor requests
- Attending all meetings regarding the Single Audit, including initial meetings between the auditor and each audited agency
- Serving as the OCA representative on the Single Audit Oversight Committee.
- Answering agency questions, as needed, regarding the Single Audit process

- Reviewing agency corrective action plans and work plans to ensure that they are complete, and providing recommendations and feedback as needed
- Reviewing agency corrective action plan status updates to ensure that findings are timely remediated, and providing feedback to agencies as needed
- Developing and maintaining the District’s *Single Audit Handbook*

C. OCA Program Analysts

The OCA Program Analysts serve as the liaison between their cluster agencies who are subject to the Single Audit and the OCA Grant Management Specialist to help ensure that agencies submit requested materials in a timely and comprehensive manner. In this role, the analysts are responsible for the following:

- Ensuring that agencies have uploaded their corrective action plans and work plans into Quick Base
- Performing an initial review of the corrective action plans and work plans to ensure that the plans are complete and comprehensive.
 - A “complete and comprehensive” plan is defined as a plan that addresses the finding in a manner that will fully remediate the finding; that contains action items that are specific, measureable, attainable, relevant, and timely (SMART); and that includes as attachments all documents that are referred to in the plan.
- Following up with agencies to ensure monthly status updates on the corrective action plans and work plans are submitted in a timely manner.

D. Agencies/Agency Single Audit Points of Contact

Each agency that administers a program that is being audited pursuant to the Single Audit must appoint an Agency Single Audit Point of Contact (Agency POC). The Agency POC is responsible for ensuring that the agency carries out its responsibilities in the Single Audit process. Major activities that the Agency POC is responsible for ensuring the agency carries out in the Single Audit process include the following:

- Preparing appropriate financial statements, including the schedule of expenditures of federal awards (SEFA).
- Making agency program and financial personnel available to the auditors to provide information and answer questions.
- Providing requested information and documents to the auditor in a timely and comprehensive manner.
- Preparing responses to the auditor’s “Prepared by Client (PBC)” list (the PBC is the list of documents and information requested by the auditor at the beginning of the Single Audit process).
- Walking the auditor through the internal control processes for each of the applicable compliance requirements.
- Determining whether the program is subject to the A-133 Circular or Uniform Guidance requirements.

- Providing timely responses to auditor requests during fieldwork (turn-around time is generally four business days).
- Identifying for the auditor previous audits or other studies and the corrective actions taken to address any recommendations.
- Providing timely written management responses to current year findings.
- Developing corrective action plans and work plans for each finding and entering those plans into Quick Base
- Implementing corrective action plans properly and within deadlines.
- Providing administrative and logistical assistance to the auditor, such as:
 - Work space (including internet access) for the auditor that is in proximity to program personnel.
 - Agency contact information.
 - Physical access to agency offices as needed to conduct the audit.

The Agency POC is also responsible for attending meetings regarding audit findings and follow-ups.

E. Auditor's Responsibility

The responsibility of the auditor is to audit the District's schedules of expenditures of financial awards in order to express an opinion on whether the District (through its various agencies) has complied, in all material respects, with the applicable compliance requirements that could have a direct and material effect on the federal grant programs being audited. The auditor conducts the Single Audit in accordance with the Single Audit Act, *Government Auditing Standards*, and the *Uniform Guidance* (including the annual *Compliance Supplement*). The audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as the auditor considers necessary in the circumstances.

III. Preparing for the Single Audit

Prior to the initial meeting between the auditor and an agency, the agency should have the following information ready for an auditor to review:

Grants-related information
A list of all federal grants awarded to the agency (even the awards that are not being audited), the name of the federal agency that awarded the grant, the CFDA number for the grant, and the name and contact information (address, email, and phone number) of the District agency's program officer for each federal grant.
The dates of the grant period for each grant awarded
The dollar amount of each grant awarded
The date that any grant funding was received
Copy of the approved budget for each of the grants.
Any restrictions associated with the grant (this information should be included in the program guidance)
Copy of the submitted grant proposal for each of the grants awarded
Copies of every award notification communication.
Total expenditures as recorded in the agency's system for each specific grant for the relevant fiscal year.
Copies of grant award agreements and amendments made in the fiscal year.
Pass-through information
Schedule of grant funds passed through to other District agencies by CFDA #
Schedule of grant funds passed through to subrecipients (non-District agencies) by CFDA #
Schedule of pass-through grant funds received from other District agencies by CFDA #
Budget-related information
Reconciliation of SEFA vs. grant agreement
Any budget adjustments that have been made to federal grant funds
Reconciliation of differences in expenditures recorded in SOAR vs. SEFA, if any (provided by OFOS)
Agency-related information
Organization chart for the District agency and the office(s) within the agency that administers the grant(s).
Information-technology-related information
List of new and existing information technology systems (this applies to all agency IT systems, not just IT systems directly used for grants).
Details of upgrades to information technology systems made during the audited fiscal year (what key changes were made as a result of the new or upgraded system, when were the changes made, how did the changes impact the agency's internal controls, etc.).
Audit/review-related information
Narrative documenting the current status of prior year findings and providing supporting documentation, as applicable.
Copies of any federal program or desk reviews performed or received during the fiscal year.

IV. Single Audit Compliance Requirements

Overview of the Single Audit Compliance Requirements

During the Single Audit, the auditor reviews whether the agency has complied with relevant laws, regulations, polices, and procedures based on fourteen standard compliance requirements. These fourteen compliance requirements are described in the following subsections.

NOTE

In December 2013, OMB released new grant administration regulations entitled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” which are referred to as the *Uniform Guidance*. The *Uniform Guidance* supersedes the requirements of a number of previous OMB circulars (A-21, A-50, A-87, A-89, A-102, A-110, and A-133), and generally applies to federal grant awards and certain funding increments provided on or after December 26, 2014.

The compliance requirements in the circulars are used as the basis of the audit for awards and funding increments awarded before December 26, 2014, and the Uniform Guidance’s compliance requirements are used as the basis of the audit for new federal grant awards and certain funding increments awarded on or after December 26, 2014.

District agency personnel must review grant agreements closely to determine if the circulars or the Uniform Guidance apply to the grants. An agency may be required to use both sources of guidance for the same federal grant program, if some federal grant awards for the program are subject to the circular requirements and other awards are subject to the Uniform Guidance.

This section describes the compliance requirements of the Uniform Guidance only.

Specific Single Audit Compliance Requirements

The fourteen standard compliance requirements are identified by a letter, in alphabetical order, as follows:

- A. Activities allowed or unallowed
- B. Allowable costs/cost principles
- C. Cash management
- D. Davis-Bacon Act
- E. Eligibility
- F. Equipment and real property management
- G. Matching, level of effort, earmarking
- H. Period of availability of federal funds
- I. Procurement, suspension and debarment
- J. Program income
- K. Real property acquisition and relocation assistance
- L. Reporting
- M. Subrecipient monitoring
- N. Special tests and provisions

A. Activities Allowed or Unallowed (2 CFR section 200.514(c))

The objective of the “Activities Allowed or Unallowed” compliance requirement is for the auditor to determine whether the agency expended the federal grant funds only for allowable activities. The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and provisions of contracts or grant agreements pertaining to the program.

B. Allowable Cost/Cost Principles

The objective of the “Allowable Cost/Cost Principles” compliance requirement is for the auditor to determine whether the federal grant awards were expended only for allowable costs. Certain general criteria affecting allowability of costs under federal grant awards are:

- The costs must be reasonable and necessary for the performance and administration of the federal awards.
- Costs must be allocable to the federal award under the *Uniform Guidance*.
- The costs must conform to any limitations or exclusions set forth in the *Uniform Guidance* or in the federal award as to types or amounts of cost items. (For example, federal regulations generally do not allow spending grant funds on entertainment costs and restrictions exist for many other types of costs.)
- Costs must be adequately documented.

C. Cash Management

The objective of this compliance requirement is for the auditor to determine whether the agency complied with the terms and conditions of the Treasury-State Agreement or, if applicable, Treasury’s Subpart B procedures. Treasury regulations require state recipients to enter into agreements that prescribe specific methods of drawing down federal funds for selected large programs. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205 (Subpart B) including the requirement for a state to minimize the time between the drawdown of federal funds and their disbursement for federal program purposes.

D. Davis-Bacon Act Requirements

The objective of this compliance requirement is to determine whether the non-federal entity ensured that contractors and subcontractors paid prevailing wage rates for projects covered by the Davis-Bacon Act.

Under 29 CFR 5.5(a)(3), the District agency has the primary, day-to-day responsibility for administering and enforcing the prevailing wage rate requirements in covered contracts. The agency is responsible for performing activities, such as:

- Verifying that covered contracts have incorporated the required Davis-Bacon clauses and the applicable wage determination(s);
- Verifying that the Davis-Bacon notice and the applicable wage determination(s) are displayed at the work site in a conspicuous location in clear view of everyone;
- Reviewing certified payrolls in a timely manner;
- Conducting employee interviews;
- Conducting investigations; and
- Submitting enforcement reports and semi-annual enforcement reports to the U.S. Department of Labor Wage and Hour Division.

E. Eligibility

The specific requirements for eligibility are unique to each federal program and are found in the laws, regulations, and provisions of contract or grant agreements pertaining to the program. This compliance requirement specifies the criteria for determining the individuals, groups of individuals (including area of service delivery), or sub-recipients that are eligible to participate in the program and the amounts for which they qualify.

As part of the audit process, the auditor will determine whether required eligibility determinations were made (including obtaining any required documentation/verifications), that individual program participants or groups of participants were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program. The auditor will also determine whether sub-awards were made only to eligible subrecipients.

F. Equipment and Real Property Management

A state must use, manage, and dispose of equipment acquired under a federal award in accordance with state laws and procedures.

As part of the audit of this compliance requirement, the auditor generally will:

- Determine whether the agency maintains proper records for equipment and adequately safeguards and maintains equipment.
- Determine whether disposition or encumbrance of any equipment or real property acquired or improved under federal grant awards is in accordance with federal requirements and that the federal awarding agency was properly compensated for its portion of any property sold or converted to non-federal use.

G. Matching, Level of Effort, Earmarking

The specific requirements for matching, level of effort, and earmarking are unique to each federal grant program and are found in the statutes, regulations, and terms and conditions of

awards pertaining to the program. As part of the audit process, the auditor will review the following issues:

- *Matching requirements:* The auditor will determine whether the minimum amount or percentage of contributions or matching funds was provided (in part by determining whether the District’s matching funds are from an allowable source).
- *Level of effort requirement:* The auditor will determine whether specified service or expenditure levels were maintained.
- (d) *Earmarking requirements:* The auditor will determine whether minimum or maximum limits for specified purposes or types of participants were met.

“Matching,” “level of effort,” and “earmarking” are defined as follows:

- *Matching* or cost sharing includes requirements to provide contributions (usually non-federal) of a specified amount or percentage to match federal grant awards.
- *Level of effort* includes requirements for: (a) a specified level of service to be provided from period to period; (b) a specified level of expenditures from non-federal or federal sources for specified activities to be maintained from period to period; and (c) federal funds to supplement and not supplant non-federal funding of services.
- *Earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program’s funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

H. Period of Performance

The objective of this requirement is to determine whether:

- The federal award was only charged for: (a) allowable costs incurred during the period of performance; or (b) costs incurred prior to the date the federal grant award was made that were authorized by the federal awarding agency.
- Obligations were liquidated within the required time period.

I. Procurement, Suspension and Debarment

When procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds. They also must ensure that every purchase order or other contract includes any clauses required by federal statutes and executive orders and their implementing regulations.

As part of the audit of this compliance requirement, the auditor will determine:

- Whether procurements under federal grant awards were made in compliance with the state’s procurement procedures and any applicable federal regulations or other procurement requirements specific to an award or subaward.

- Whether the non-federal entity verified that entities it plans to enter into a covered transaction with are not suspended, debarred, or otherwise excluded.

J. Program Income

Program income is gross income earned by a non-federal entity that is directly generated by a supported activity or earned as a result of the federal grant award. Program income may be used in one of three ways: deducted from allowable costs, added to the federal award, or used to meet cost-sharing or matching requirements.

As part of its audit of this compliance requirement, the auditor will determine whether program income was correctly determined, recorded, and used in accordance with applicable governing requirements.

K. Real Property Acquisition and Relocation Assistance

The objective of this compliance requirement is to determine whether the agency complied with the applicable real property acquisition, appraisal, negotiation, and relocation requirements.

As part of the audit of this compliance requirement, the auditor will determine whether the agency complied with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, which provides for uniform and equitable treatment of persons displaced by federally-assisted programs from their homes, businesses, or farms.

L. Reporting

The objective of this compliance requirement is for the auditor to determine whether the agency complied with the requirements for financial reporting, performance reporting, and any special reporting requirements. As part of this process, the auditor will determine whether required reports include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

M. Subrecipient Monitoring

The objective of this compliance requirement is for the auditor to determine whether the agency, if it awarded pass-through funds to a subrecipient, complied with relevant requirements related to subrecipients.

For example, the auditor will review whether the agency:

- Identified applicable requirements in the terms and conditions of the subaward
- Evaluated each subrecipient's risk of noncompliance for purposes of determining the appropriate sub-recipient monitoring related to the subaward.

- Appropriately monitored the activities of the subrecipient through reporting, site visits, regular contact, or other means to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

N. Special Tests and Provisions

The specific requirements for special tests and provisions are unique to each federal program and are found in the statutes, regulations, and provisions of contract or grant agreements pertaining to the program. For programs listed in the *Compliance Supplement*, the compliance requirements for special tests and provisions are included in the *Compliance Supplement*. For programs not included in the *Compliance Supplement*, special tests and provisions may be included in the program's contract and grant agreements and referenced statutes and regulations

V. Internal Controls

As a condition of receiving federal grant awards, non-federal entities agree not only to comply with laws, regulations, and provisions of grant agreements and contracts, but also to maintain internal controls to provide reasonable assurance of each agency's compliance with these requirements. The *Compliance Supplement* requires auditors to obtain an understanding of the non-federal entity's internal control over federal grant programs and to perform testing of those internal controls.

As described in the *Compliance Supplement*:

The objectives of internal control over the compliance requirements for federal grant awards are as follows:

1. Transactions are properly recorded and accounted for in order to:
 - a. Permit the preparation of reliable financial statements and federal reports;
 - b. Maintain accountability over assets; and
 - c. Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the federal award;
2. Transactions are executed in compliance with:
 - a. Federal statutes, regulations, and the terms and conditions of the federal award that could have direct and material effect on a federal program; and
 - b. Any other federal statutes and regulations that are identified in the *Compliance Supplement*; and
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

A system of internal control is expected to provide a non-federal entity with reasonable assurance that these objectives relating to compliance with federal statutes, regulations, and the terms and conditions of federal [grant] awards will be achieved.

Internal control should be an integral part of the entire cycle of planning, budgeting, management, accounting, monitoring, and reporting. It should support the effectiveness and the integrity of every step of the process and provide continual feedback to management. Non-federal entities' program managers must carefully consider the appropriate balance between controls and risk in their grant award programs and operations. Too many controls can result in inefficient and ineffective operations; managers must ensure an appropriate balance between the strength of controls and the relative risk associated with particular grant award programs and operations.

Additionally, the benefits of controls should outweigh the costs. Non-federal entities should consider both qualitative and quantitative factors when analyzing costs against benefits.⁵

⁵ Compliance Supplement (April 2017) at 6-M-1 to 6-M-2 (non-substantive formatting changes have been made to the text). The Compliance Supplement also states: "2 CFR section 200.303 indicates that the internal controls required to be established by a non-Federal entity receiving Federal awards should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (Green Book) or the "Internal Control Integrated Framework" (revised in 2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COFAR Frequently Asked Question (FAQ) 200.303-2 indicates that the word "should" is used in 2 CFR part 200 to indicate a best practice." *Id.* at 6-M-2.

As part of its review of an agency's internal controls, the auditor considers the results of the testing of internal control in assessing the risk of noncompliance and uses this as the basis for determining the nature, timing, and extent of substantive tests of compliance.

VI. Corrective Action Process for Single Audit Findings

A corrective action plan (CAP) is a plan of action that is developed to achieve targeted outcomes to resolve issues identified in each Single Audit finding. At the completion of the Single Audit, each District agency must develop a corrective action plan and an associated work plan to address each finding reported by the auditors.

A corrective action plan should clearly describe measures that have been taken or will be taken to effectively resolve each audit finding. Under the *Uniform Guidance*, each corrective action plan is required to have the following items:

- The reference number assigned to the finding by the auditor as reported in the Single Audit;
- The names of the person(s) responsible for the corrective action,
- The corrective action plan; and
- The anticipated completion date

Pursuant to District government policy, the work plan associated with the corrective action plan must include:

- Each separate action the agency (or other office) will take to carry out the carry out the corrective action plan;
- The name of the person responsible for each separate action; and
- The date by which each action will be completed.

Each corrective action plan and work plan must be entered by the agency into the Office of the City Administrator's Quick Base application. The corrective action plan and work plan are then reviewed by OCA's Division of Grants Management for adequacy. If a plan fails to comply with the applicable guidelines, notification of the need for appropriate revisions will be communicated to the agency.

Management of each agency must also regularly monitor the status of the corrective action plans and work plans to ensure that the plans are implemented, and all audit findings are resolved in a timely manner. District agencies must also report to the Office of the City Administrator (OCA), Division of Grants Management via Quick Base monthly on the status of their corrective action plans and work plans.

For more information on the corrective action plan and work plan process, please see the OCA Corrective Action Plan Policy.

VII. Federal Audit Clearinghouse

The Federal Audit Clearinghouse acts as an agent for OMB to: (1) establish and maintain a governmentwide database of Single Audit results and related federal award information; (2) serve as the federal repository of Single Audit reports; and (3) distribute Single Audit reports to federal agencies.

Under the Uniform Guidance, the District's audit report, including corrective action plans, must be submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after the receipt of the audit reports or nine months after the end of the audit period. Late submittals are one of the factors in increasing audit risk to high risk, resulting in testing of more programs and internal controls.

VIII. Single Audit Definitions

Adverse opinion

A determination by the auditor, with respect to an audited federal grant program, that the audited entity did not comply with the requirements of the federal grant program, and the noncompliance is material and pervasive. (See also definition of “audit opinion”.)

Audit criteria

Requirements outlined in the OMB Annual Compliance Supplement that District agencies receiving federal grant funds must meet. (Note: The terms compliance and noncompliance are used to indicate whether or not requirements are being met.)

Audit findings

An audit finding is an issue identified during the audit that generally documents noncompliance with an audit criterion or a deficiency in internal control. Each findings describes the basis for determining that a problem exists, the condition or situation that was observed, and the root cause of the problem to the extent that it can be determined. Audit findings also include the auditor’s recommendations to address the issue identified.

Audit opinion

A determination by the auditor of an agency’s overall compliance with the requirements of a federal grant program and the adequacy of the agency’s internal controls related to the federal grant program. Audit opinions fall into the following four categories, from best opinion to worst opinion: (1) unqualified opinion; (2) qualified opinion; (3) adverse opinion; and (4) disclaimer of opinion. (Note: Each type of audit opinion is defined in this section.)

Audit scope

The focus, extent, and boundary of a particular audit.

Compliance requirements

Laws, regulations, rules, and provisions of contracts or grant agreements applicable to federal grant programs with which the audited entity is required to comply.

Corrective action plan

A plan prepared by an agency, at the completion of the Single Audit, to address each audit finding included in the Single Audit report. The corrective action plan is also referred to as a remediation plan.

Deficiency (in internal control over compliance)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

Disclaimer of opinion

A determination by the auditor, with respect to a specific federal grant program, that the auditor is unable to obtain sufficient evidence to express an opinion on the audited entity's compliance with the requirements applicable to the federal grant program, where the possible effect of undetected noncompliance is material and pervasive. (See also definition of "audit opinion".)

Internal control

A process implemented by a non-federal entity that is designed to provide reasonable assurance about the entity's: (1) effectiveness and efficiency of operations; (2) reliability of reporting (including financial reporting) for internal and external use; and (3) compliance with applicable laws and regulations.

Material noncompliance

A failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in compliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected federal grant program.

Material weakness (in internal control over compliance)

A deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Non-federal entity

A state or local government, Indian tribe, institution of higher education, or nonprofit organization that carries out a federal grant award as a recipient or subrecipient.

Pass-through entity

A non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program.

Qualified opinion

A determination by the auditor, with respect to a specific federal grant program, that the audited entity did not comply with all the requirements of the federal grant program, where the noncompliance is material but not pervasive. In the alternative, a qualified opinion may be a determination that the auditor is unable to obtain evidence to conclude that the audited entity is compliant with all the requirements of the federal grant program, where the possible effect of undetected noncompliance would be material but not pervasive. (See also definition of "audit opinion".)

Remediation plan

A corrective action plan.

Significant deficiency (in internal control over compliance)

A deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal grant program that is less severe than a material weakness in

internal control over compliance, yet important enough to merit attention by those charged with governance.

Unqualified opinion

A determination by the auditor, with respect to a specific federal grant program, that the audited entity complied, in all material respects, with the requirements of the federal grant program. (See also definition of “audit opinion”.)