

2018 Yellow Book



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Overview

Government Auditing Standards 2018 Revision

- GAO-18-568G
- Issued: July 2018

Supersedes:

- The 2011 GAS revision
- The 2005 Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education
- The 2014 Government Auditing Standards: Guidance for Understanding the New Peer Review Ratings



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2021 Technical Correction



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Background

2021 Technical Updates to the 2018 Revision of Government Auditing Standards

• Issued: April 2021

• Effective: Upon Issuance

Background:

• Made limited technical updates



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Equity

 Updated paragraphs 1.02 and 1.03 to address equitable services

"providing service to the public effectively, efficiently, economically, ethically, and equitably"



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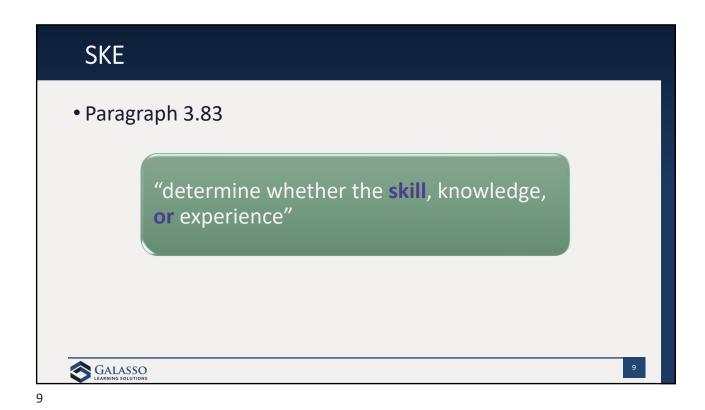
Equity Cont'd

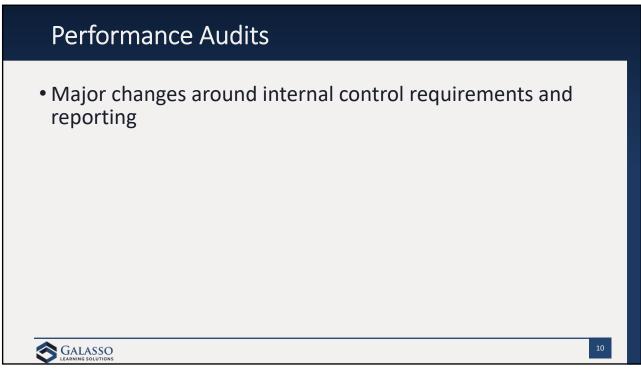
• Paragraph 1.23

"determining whether a program provides equitable access to or distribution of public resources within the context of statutory parameters"

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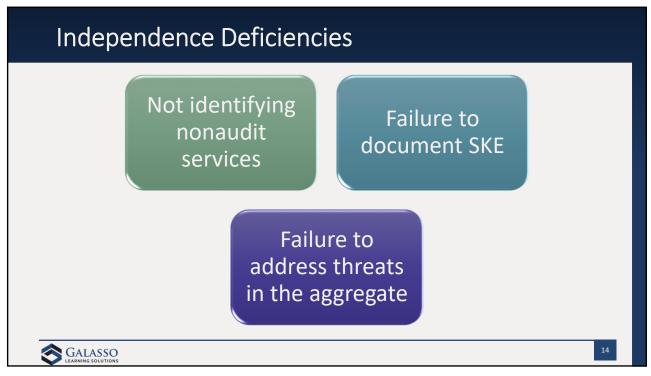


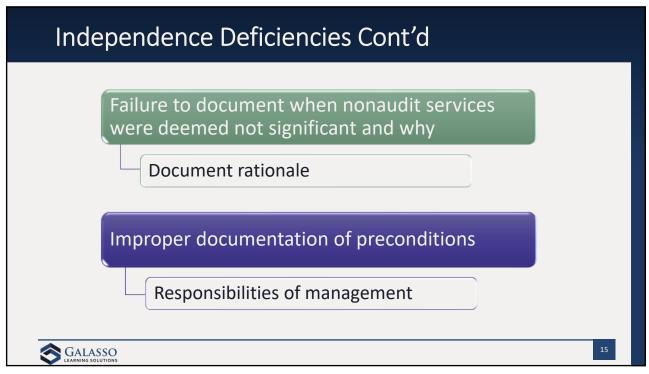


Yellow Book Common Deficiencies

Independence CPE









CPE Deficiencies Improper topics Inappropriate Exemptions Double Counting Emergency CPE



COVID-19 GAGAS Audit Alert

COVID-19 GAGAS Audit Alert

• Issued: July 21, 2020 (reissued August 2020)

Background:

- Highlights audit considerations and reminders given the circumstances related to the pandemic
- Provides nonauthoritative guidance on auditing matters prepared by GAO staff
- Does NOT amend GAGAS



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Increased Focus

 May need to pay increased attention to certain areas of auditors' work because of the circumstances of the COVID-19 pandemic



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Uniform Guidance



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Uniform Grant Guidance

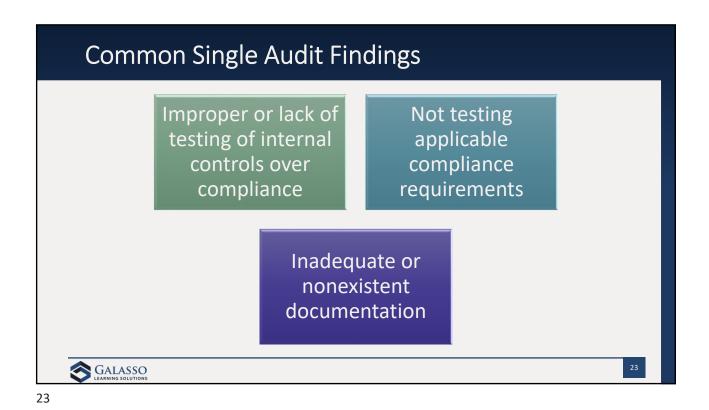
Office of Management and Budget (OMB) published the Uniform Guidance on December 26, 2013, in the Federal Register

Full Title:

• Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards



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Change is Everywhere

- 2018 Compliance Supplement
 - Must use 2018 Supplement AND 2017 Supplement
- 2019 Compliance Supplement
- 2019 New Data Collection Form
- 2020 COVID

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2020 Uniform Guidance



Background

2013 OMB issued Uniform Guidance

• Part 200.109 requires review every 5-years

Three Main Goals:

- Implementation of the President's Management Agenda Results-Oriented Accountability for Grants CAP goal
- Align with other authoritative sources
- Clarify existing requirements



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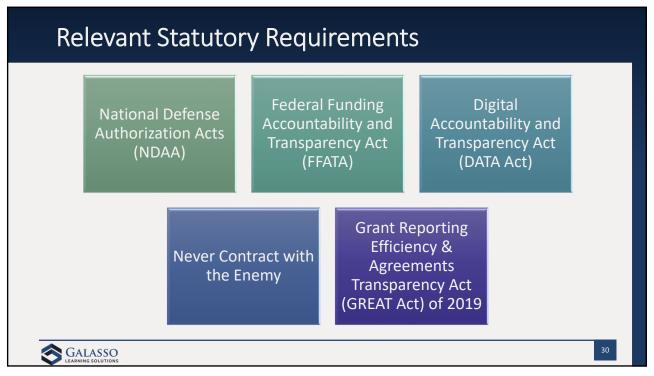
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President's Management Agenda

- Disproportionate amount of time using antiquated processes to monitor compliance
 - Focus on modernization
 - Shift to focusing on analyzing data to improve results







Micro-purchase Threshold

- Incorporates the guidance in M-18-18
 - \$10,000
- Proposes to extend flexibility to request a higher micropurchase threshold to all non-Federal entities



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Merit Review

- Extend merit review process to all awards in which the Federal awarding agency has the discretion to choose the recipient
- Select recipients most likely to be successful in delivering results



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Domestic Preferences

- Encouraged to the extent permitted by law to maximize use of materials produced in the United States
 - Executive Order 13788, Buy American & Hire American
 - Executive Order 13858, Strengthening Buy-American Preference for Infrastructure Projects



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Procurement

• Procurement types were grouped into 3 categories

Informal (Micro-Purchase & Small Purchase)

Formal (Sealed Bids, Proposals)

Non-Competitive (Sole Source)



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Religious Liberty

- Executive Order 13798, Promoting Free Speech & Religious Liberty
- Executive Order 13864, Improving Free Inquiry, Transparency and Accountability at Colleges & Universities



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Standardize Terminology

- Update definition of period of performance
- Replace term obligation with either financial obligation or responsibility
 - Align with DATA Act
- CFDA replaced with Assistance listing number
- Management decision definition emphasizes that it is a written determination



Standardize Terminology Cont'd

- Replace standard form with common form
 - Doesn't have to be all agencies
 - Encourage efficiency and collaboration
- Reformatting Subpart A to remove section numbers
 - Facilitate future edits



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Program Planning & Design

- New section emphasizes the importance of focusing on performance to achieve results
 - Shifting the focus to the balance between performance and compliance
 - Results oriented grants
 - Focus on program design, objectives and indicators
 - Require agencies to provide recipients with clear performance goals, indicators and milestones



Program Planning & Design Cont'd

- Encourages requests for exceptions to be innovative and apply a risk-based, data-driven framework
 - Focus on performance
- Foundations of Evidence-Based Policymaking Act of 2018
 - Emphasizes collaboration and coordination



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Program Planning & Design Cont'd

- Develop strong program design (goals, objectives, indicators) before applications are solicited
- Design elements
 - Problem or needs statement, goals & objectives
 - Logic model depicting structure
 - Theory of change and evidence supporting them
 - Performance indicators to measure program accomplishments



Terminology Changes

- Strengthens the ability of the agency to terminate award to greatest extent authorized when award no longer effectuates the program goals or agency priorities
 - Prioritize support to awards that meet program goals



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Fixed Amount Awards

Expands to both grant agreements and cooperative agreements



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Program Evaluation Costs

• Emphasizes evaluation costs are allowed as a direct cost



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Non-authoritative Guidance

 Prohibits agencies from including references to nonauthoritative guidance in the terms and conditions

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Machine-readable Formats

- Reinforces machine-readable requirements
 - Leveraging data as a strategic asset CAP goal



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GONE Act

- Grant Oversight and New Efficiency Act
 - Increase the number of days to submit reports and liquidate from 90-days to 120-days for pass-through entities
 - No changes to subrecipients

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Audit Quality Project

- Change the date to once every 6-years
 - Shifted to 2021
 - Was supposed to be 2018



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Expanded De Minimus Rate

- Allows the use of 10% de minimus rate to all-non-Federal Entities
 - With certain exceptions
- Clarifies that the non-Federal entity is not required to provide proof of costs that are covered under that rate



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Negotiated Rates

- Require all grantees negotiated agreements for indirect costs rates are collected and displayed on public website
 - Indian tribes are excluded



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NDAA 2019

- Prohibited Telecom & Video Surveillance Services or Equipment
 - Focus on foreign entities

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Never Contract with the Enemy

 Requiring agencies to utilize SAM and FAPIIS to ensure compliance before awarding a grant or cooperative agreement



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FFATA

- Clarifies that federal agencies may receive Federal Financial Assistance
 - Increase transparency of awards received by Federal Agencies



GASB 68

 Revise Compensation section to claim pension costs that are actual and funded



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Questioned Costs

 Questioned costs are not improper payments until reviewed and confirmed to be improper

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PTE

- Clarifies PTEs are only responsible for follow up on findings related to their subaward
 - Not all findings in the audit



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FAQs

• Incorporates FAQs into UG

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2021 Supplement Information



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2021 Compliance Supplement

- Single Part 3
- Retained Pick 6
 - With changes on which 6
- Expecting ARPA Addendum
 - When who knows???



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Program Changes

- Part 2 shows changes and corrections made
 - Changes are highlighted in yellow
 - Corrections in blue
- Many programs were updated
 - Check out Appendix V for a summary of major changes
- Many programs identified as high risk by Agencies



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Provider Relief Funds

- Links SEFA reporting for PRF to the amounts to be reported directly to HHS at June 30, 2021
 - Only affects the PRF program and is not applicable to other COVID-19 funding
 - i.e. 93.461, COVID-19 Testing for the Uninsured



PPE

- Federal agencies and recipients could donate personal protective equipment (PPE) purchased with federal assistance funds to various entities for the COVID-19 response
 - This PPE was mostly provided with no compliance or reporting requirements
- Nonfederal entities that received donated PPE should include the fair market value of the PPE at the time of receipt in a standalone footnote to the SEFA that can be marked unaudited
 - Donated PPE should not be counted by the auditor for MPD and is not required to be audited as a major program



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FFATA

- The FFATA rules require direct recipients of grants or cooperative agreements who make first-tier subawards of \$25,000 or more to report subaward data through the FFATA Subaward Reporting System (FSRS)
- The auditor must test FFATA reporting for all the COVID-19 programs included in the addendum (except for the CRF program) in which:
 - The Reporting type of compliance requirement is marked as a "Y" in the Part 2 Matrix, and the auditor determines Reporting to be direct and material; and
 - The recipient makes first-tier subawards of \$25,000 or more to report subaward data through FSRS



FFATA Cont'd

- Requires auditors to report noncompliance (i.e the FFATA reporting was not made, incorrect amounts, lack of timeliness, etc.)
- A prescribed table format is recommended for reporting noncompliance findings in the Schedule of Findings and Questioned Costs



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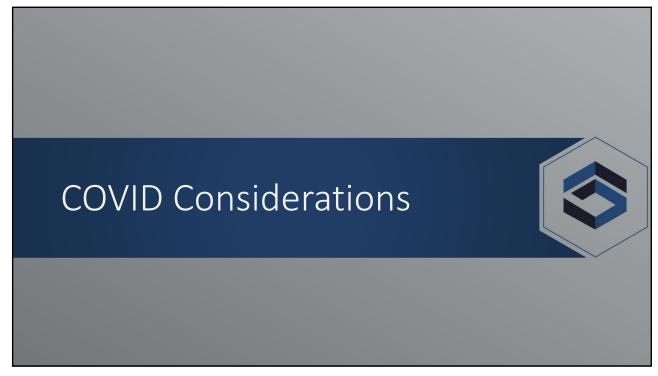
PPP

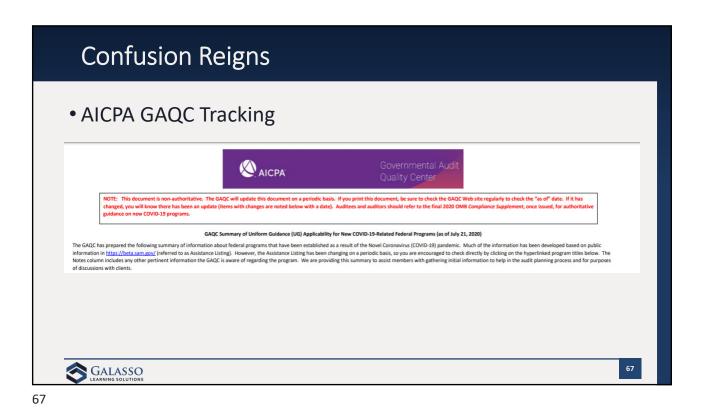
- Not subject to UG
- Per OMB Memo M-20-26

"...payroll costs paid with the PPP loans or any other Federal CARES Act programs must not be also charged to current Federal awards as it would result in the Federal government paying for the same expenditures twice"



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Resources

- CARES Act FAQ: https://www.cfo.gov/wp-content/uploads/2020/06/M-20-21 FAQ 06232020.pdf
- AICPA FAQ: https://www.aicpa.org/content/dam/

 aicpa/interestareas/governmentalauditquality/resources/auditeeresourcecenter/downloadabledocuments/state-and-local-gov-accounting-and-auditing-faq-related-to-coronavirus.pdf



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Professional Skepticism

- Enhanced skepticism when you can't be physically present
- Fraud risk related to changes in controls
 - Changes in Opportunity
 - Rationalization & Pressure Changes



Internal Controls

- Reliance Strategy
 - Material changes
 - Documentation more difficult to come by
 - Change in staff



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