

Yellow Book & Uniform Guidance Update

August 19, 2021

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Agenda

2018 Yellow Book

Uniform Guidance

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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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SKE

- Paragraph 3.83

“determine whether the **skill**, knowledge,
or experience”

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Performance Audits

- Major changes around internal control requirements and reporting

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Yellow Book Common Deficiencies



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Common Deficiencies

Independence

CPE

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Independence

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Independence Deficiencies

Not identifying
nonaudit
services

Failure to
document SKE

Failure to
address threats
in the aggregate

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Independence Deficiencies Cont'd

Failure to document when nonaudit services were deemed not significant and why

Document rationale

Improper documentation of preconditions

Responsibilities of management

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CPE (2018 YB)

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CPE Deficiencies

- Improper topics
- Inappropriate Exemptions
- Double Counting Emergency CPE

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COVID Alert



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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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Common Single Audit Findings

Improper or lack of testing of internal controls over compliance

Not testing applicable compliance requirements

Inadequate or nonexistent documentation

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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



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2020 UG Update

- Guidance for Grants & Contracts
 - Issued: August 13, 2020
- Process
 - 215 submissions with over 2,500 comments
- Effective:
 - November 12, 2020
 - Except: 200.216 & 200.340

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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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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

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Four Strategies

- 1 Operationalize Grants Management Standards
- 2 Establish Robust Marketplace of Modern Solutions
- 3 Manage Risk
- 4 Achieve Program Goals & Objectives

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Relevant Statutory Requirements



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Micro-purchase Threshold

- Incorporates the guidance in M-18-18
 - \$10,000
- Proposes to extend flexibility to request a higher micro-purchase 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

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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

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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

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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 non-authoritative 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

NDAA 2019

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

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

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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

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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

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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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Employee Retention Credits

- Not subject to Single Audit

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COVID Considerations



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Confusion Reigns

- AICPA GAQC Tracking



NOTE: This document is non-authoritative. The GAQC will update this document on a periodic basis. If you print this document, be sure to check the GAQC Web site regularly to check the "as of" date. If it has changed, you will know there has been an update (Items with changes are noted below with a date). Auditees and auditors should refer to the final 2020 OMB Compliance Supplement, once issued, for authoritative guidance on new COVID-19 programs.

GAQC Summary of Uniform Guidance (UG) Applicability for New COVID-19-Related Federal Programs (as of July 21, 2020)

The GAQC has prepared the following summary of information about federal programs that have been established as a result of the Novel Coronavirus (COVID-19) pandemic. Much of the information has been developed based on public information in <https://beta.sam.gov/> (referred to as Assistance Listing). However, the Assistance Listing has been changing on a periodic basis, so you are encouraged to check directly by clicking on the hyperlinked program titles below. The Notes column includes any other pertinent information the GAQC is aware of regarding the program. We are providing this summary to assist members with gathering initial information to help in the audit planning process and for purposes of discussions with clients.

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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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Major Program Determination

New A programs haven't been audited

- Even if inherent risk is low

Existing A programs

- May have had significant changes to program that trigger high risk

New B programs may have extra risk



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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



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Internal Controls

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

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What Questions Do You Have?



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