

Single Audit & Schedule of Expenditures of Federal Awards (SEFA)

Overview/Background

Per the 2 Code of Federal Regulations Part 200, a Single Audit is required when \$750,000 or more in Federal financial assistance is expended. The State of Arizona is well over the \$750,000 threshold as such a Single Audit is due annually. The annual due date for the Single Audit is nine months after the end of the fiscal year. For the fiscal year's 2020 and 2021 the Office of Management and Budget granted a six month extension. However, the Single Audit fiscal year 2020 was not submitted until the end of October and the Single Audit fiscal year 2021 is not anticipated to be submitted until the end of October. There is no extension for the fiscal year 2022, it is due at the end of March 2023.

A massive influx of Federal funds with little guidance came to the State beginning March 2020 and has continued since then. Federal expenditures for the State went from \$17.5B in fiscal year 2019 to \$26B in fiscal year 2020. An \$8.5B increase in one fiscal year when the pandemic stimulus spending didn't start until March... Prior to this dramatic increase, the State's Federal expenditures would generally increase by approximately \$1B annually.

Observations

- Agencies with little to no prior experience in managing Federal funds received grants to assist with the pandemic.
- Response from the Federal government regarding questions and providing guidance has been slow.
- Many transitioned to working from home, identifying new ways of doing business, running old programs and new.
- It will take a statewide effort to get the timeline back on track.

Implications of Late Single Audit

- Timeline to resolve findings
 - A FY21 Single Audit Finding may not have been known until FY23. This means it likely continued through FY22 and into FY23. Corrective

action can't even begin until FY23. Therefore we will be reporting this finding and corrective action until it is fully resolved which would mean at least FY24.

- This could have a financial implication as well, for findings with unallowable costs
- Other dependent reports are impacted
 - Some reports are dependent on the Single Audit/SEFA to be completed
 - This may not impact every agency, but it does impact CMIA agencies and agencies with separate reporting
 - Federal grantor may fine daily for the late dependent report
- Withholding of funding
 - Federal grantor may choose to withhold funds until the Single Audit is complete
- Additional documents, reporting etc
 - Federal grantor may choose to require additional documentation, reporting etc

Issues

- State agencies providing Federal assistance to other state agencies
 - We, the State of Arizona are one entity, if a Federal agency provides financial assistance to a State agency and that State agency passes on the funds to another State agency, on the second state agencies expenditures should be recorded on the SEFA. There are several critical pieces that need to happen to ensure that the Statewide SEFA isn't double recording the expenditures and also not missing any expenditures.
- Award documents to subrecipients not containing critical information
 - Award documentation provided to other state agencies must contain certain critical elements. Pass-through entities are responsible for providing this information in the agreement per the 2 CFR part 200.
 - The pass-through agency and the receiving agency must be on the same page and the nature of the arrangement must be communicated in the written agreement.
 - Assistance listing (previously CFDA number), source of funding, associated Federal regulations, award number, reporting requirements etc. must be included in the agreement.
- Incorrect classification of subrecipient vs contractor
 - A subrecipient records the expenditures for the state and a contractor does not. If a State agency has a true contractor relationship with another state agency, the agency that provides the funds would record the expenditure. This transaction would be reflected in AFIS as a true expenditure, not a transfer. It is NOT common to have a state agency as a contractor or vendor of another state agency. In most cases the

second agency would be classified as a subrecipient and record the expenditures. If the second agency is not informed of the nature of the agreement they may not properly record the expenditures.

- We have a State of Arizona Accounting Manual (SAAM) policy (listed in references below) that discusses distinguishing between subrecipient and contractor. Additionally there is a reference to a checklist, I would highly recommend using this checklist or a similar one each time Federal assistance is received and provided/used. The checklist should be maintained as documentation of the determination.
- Funds exchanged with Universities aren't recorded in AFIS in the same way as with other state agencies. Ensure communication is clear on who records expenditures so they aren't double counted or not counted at all. There is one Statewide SEFA. Adjustments also need to be reflected on the closing package.
- Incorrect/missing AFIS COA
 - The compilation of the Statewide SEFA relies on key COA elements in AFIS, if these elements are incorrect or missing this causing delays or potential inaccuracies in the Statewide reporting. Examples include: Assistance listings (CFDA), Major Program Category Rollup, Program Category Rollup and Objects.
 - Review of the C083 report in InfoAdvantage to ensure everything is recorded as expected and using the closing package to indicate any adjustments is necessary for the integrity of Statewide reporting.
 - Correct set up of cost structures and recording of revenues and expenditures is the responsibility of the agency and the most efficient way to ensure accurate Federal reporting.
- Turnaround time
 - We have seen excessive delays and the need for repeated requests in obtaining requested information. Responding timely to the GAO and the Auditor General for requested information is critical to ensure a timely Single Audit and SEFA.
 - Potential cause: lack of documentation and procedures
 - Maintaining proper organized documentation facilitates a smooth audit and helps prevent findings.
 - Having procedures in place ensures that in the case of turnover processes can continue.

Questions

Q. For the Single Audit, if a state agency receives Federal financial assistance and passes through to another state agency, which state agency records the Federal expenditure?

A. The second state agency

Q. True or False. If a state agency provides Federal financial assistance to another state agency, they are required to inform the second state agency of the nature of the relationship (subrecipient vs contractor), the assistance listing number, and Federal regulations including reporting requirements.

A. True

Resources

GAO website/Federal cost Accounting:

CAP & SSPAF Guidance for State Agencies

Federal Closing Package Quick Reference Guide

Tracorp:

Federal Grants Refresher Training CBT

Internal Controls Training CBT

SAAM policies:

7015 [Formatting Guidelines for SEFA Reporting](#)

7010 [Subrecipient and Contractor Determinations](#)

1521 [Transfers of Money between State Agencies](#)

1510 [Cost Accounting Structures Certain Uses and Reconciliations](#)

Conclusion

To get the Statewide Single Audit back on track it will require a Statewide effort, every agency that receives Federal funding directly or indirectly is impacted and therefore has a vested interest in ensuring we have a timely accurate Single Audit. To get there, it will require communication and ensuring we are on the same page as our partners. We can't be siloed in this effort. We have a common goal to achieve and we are one entity. For assistance or questions please reach out to Federalgrants@azdoa.gov.