



2022 SUMMER CPE SYMPOSIUM: WHAT'S HOT IN HEALTHCARE

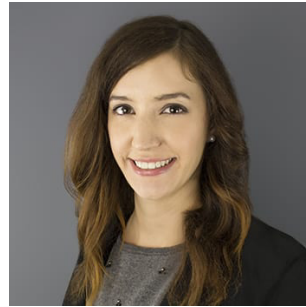
Single Audits Part 1: The Basics, Preparation, and More

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Introductions



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Agenda

- Uniform Guidance Audits
 - Uniform Guidance Audit Basics
 - Preparing for a Uniform Guidance Audit
 - Internal Control and the Uniform Guidance

Uniform Guidance Audit Basics

Uniform Guidance Audit Basics

Why?

- Audits are the primary tool that the federal government uses to ensure that grant funds are expended properly

Who?

- All non-federal entities that **expend** \$750,000 or more of federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act Amendments of 1996, Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," the OMB Circular A-133 Compliance Supplement and Government Auditing Standards
 - Exclusive of amounts awarded or dollars received during the year
 - Exceptions for COVID-19 CARES Act Provider Relief Funds

Uniform Guidance Audit Basics

What's the scope?

- Financial statements
- Schedule of expenditures of federal awards
- Compliance with federal awards, including controls over compliance

Uniform Guidance Audit Basics

When?

- Deadline for submission of the Uniform Guidance Audit reporting package is the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period
- COVID Impact: Six-month extensions granted for fiscal year-ends through June 30, 2021; no further extensions available at this time
- Performed annually, unless certain criteria are met for biennial audits

Uniform Guidance Audit Basics

What?

- Components of the Uniform Guidance Audit report
 - Independent auditor's report on the financial statements, including auditor's opinion on the Schedule of Expenditures of Federal Awards (SEFA)
 - Audited financial statements and footnotes
 - Auditor's Report on Internal Controls and on Compliance
 - SEFA
 - Notes to SEFA
 - Schedule of Findings and Questioned Costs
 - Corrective action plan (as needed)
 - Schedule of Prior Audit Findings (as needed)
 - Report on Compliance for Major Federal Programs and Internal Control Over Compliance

Uniform Guidance Audit Basics

What's the Big Deal?

- Impacts of an unsuccessful Uniform Guidance Audit
 - Repay grant awards
 - Suspension of grant awards
 - Categorized as a "high-risk auditee" and subject to additional audits
 - Findings are public information

Preparing for a Uniform Guidance Audit

Preparing for a Uniform Guidance Audit

At Year-end

- Gather and summarize federal grant information
- Create a detailed draft of the SEFA
- Review written policies and procedures
- Prepare internal control documentation and consider documentary evidence of controls
- Reach out to your auditor with questions or concerns

Preparing for a Uniform Guidance Audit

Throughout the Year

- Draft written policies and procedures and update for changes in systems, processes, and personnel
- Keep informed of the latest standards, guidance, and developments
- Identify and address issues and problem areas in advance
- Review written policies and procedures
- Reach out to your auditor with questions or concerns

Control Environment and Internal Controls

Understanding, designing, maintaining, and adjusting processes and procedures to ensure compliance with federal awards

What is Internal Control?

- Internal control is a process affected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations

What Constitutes a Control Environment?

- The tone of an organization – entity-wide
- Influences, attitudes, and rationalizations of the organization and its people
- Foundation for all other components of internal control providing discipline and structure

Components of Internal Control

- Risk assessment
- Information and communication systems
- Control activities - specific controls
- Monitoring

Internal Control

As it Relates to Uniform Guidance

- Internal control over compliance requirements for federal programs must establish:
 - Processes to provide reasonable assurance that a non-federal entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award
- Objectives of the control environment
 - Transactions are properly recorded and accounted for
 - Transactions are executed in compliance with federal statutes, regulations, and the terms and conditions of the federal award
 - Safeguarding of property and assets
 - Reliable reporting

Management Responsibilities

For Internal Control Under Uniform Guidance

- Establish and maintain an effective system of internal control over federal awards
- Comply with U.S. Constitution, federal statutes, regulations, and the terms and conditions of the federal awards
- Evaluate and monitor the entity's compliance with federal statutes, regulations, and the terms and conditions of federal awards
- Take prompt action when instances of noncompliance are identified - includes any noncompliance identified in audit findings
- Take reasonable measures to safeguard PPI/PHI or other sensitive information

Management Responsibilities

For Internal Control Under Uniform Guidance – COVID-19 Considerations

- New awards created
- Remote work
- Layoffs and furloughs
- Staffing shortages

Establishing Specific Controls

New Grants

- Identify control objective
- Understand any applicable business processes
- Evaluate risks of what could go wrong
- Understand the controls available or investigate new controls
- Design or implement existing controls and place into operation
- Monitor and adjust controls as necessary

Establishing Specific Controls

Additional considerations

- Engage external parties
- Large vs. small entities
- Benefits and costs

Internal Control Best Practices

- Adoption of Green Book - standards for internal control in the federal government
- COSO - Internal Control Integrated Framework
- Communications with awarding agency
- Establish summaries of compliance items for each award
 - Document entity-wide and specific controls

How Can We HELP?





A national healthcare advisory services firm
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