

FINANCIAL MANAGEMENT FOR GEORGIA LOCAL UNITS OF ADMINISTRATION

Date Issued	Effective Date	Section	Title:
October 21, 1992	July 1, 1992	II	Financial Reporting
Revision No.	Date Revised	Chapter	Title:
N/A	March 2017	II-5	Uniform Administrative Requirements

The Uniform Grant Guidance, as approved by the U.S Office of Management and Budget (OMB), supersedes the Single Audit Act Amendments of 1996 (Single Audit Act) and Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and sets forth detailed audit requirements for certain recipients of federal financial assistance. Georgia LUAs are subject to Section 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

This final guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up. The Uniform Grant Guidance is applicable to all grants awarded by the Federal government after December 26, 2014. So for LUAs, the majority of the changes applicable to the Uniform Grant Guidance are effective for FYE June 30, 2016.

The applicability of the audit requirements set forth in 2 CFR Part 200 to a given LUA depends on the amount of federal financial assistance received during the fiscal year. All LUAs receiving \$750,000 or more of federal awards in any fiscal year shall have either:

- (1) an audit performed in conformity with 2 CFR Part 200 or
- (2) a program-specific audit made for such fiscal year in accordance with the requirements of 2 CFR Part 200.

AUDITOR REPORTING REQUIREMENTS

Per Section 2 CFR Part 200.514, the auditor responsibilities in conjunction with a single audit are as follows:

The auditor must:

- (i) Perform an audit of the financial statement(s) in accordance with Generally Accepted Government Auditing Standards (GAGAS);
- (ii) Determine whether the financial statements of the LUA are presented fairly in all material respects in accordance with generally accepted accounting principles, and determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the LUA's financial statements as a whole;
- (iii) Obtain an understanding of internal controls and perform tests of internal controls over the Federal program consistent with the requirements of §200.514 Scope of audit, paragraph (c) for a major program;
- (iv) Perform procedures to determine whether the LUA has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs consistent with the requirements of §200.514 Scope of audit, paragraph (d) for a major program;
- (v) Follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the LUA in accordance with the requirements of §200.511 Audit findings follow-up, and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year; and
- (vi) The auditor must complete and sign specified sections of the data collection form. As required in §200.512 Report submission paragraph (b) (3).

Section 2 CFR Part 200.515 discloses the following requirements associated with Audit Reporting:

The auditor's report(s) may be in the form of either combined or separate reports and may be organized differently from the manner presented in this section. The auditor's report(s) must state that the audit was conducted in accordance with this part and include the following:

- (i) An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of Federal awards is fairly stated in all material respects in related to the financial statements as a whole.
- (ii) A report on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance which could have a material effect on the financial statements.
- (iii) A report on compliance for each major program and a report on internal control over compliance. This report must describe the scope of testing of internal control over compliance, include an opinion (or disclaimer of opinion) as to whether the LUA complied with Federal statutes, regulations, and the terms and conditions of Federal awards which could have a direct and material effect on each major program and refer to the separate schedule of findings and questioned costs; and

- (iv) A schedule of findings and questioned costs which must include the following three components: 1)a summary of the auditor's results which must include, the type of report the auditor issues, statement about existence of significant deficiencies or material weaknesses in internal control, statement about existence of noncompliance that is material to the financial statements, statement about existence of audit findings, significant deficiencies, material weaknesses, or noncompliance relative to the Federal major programs, dollar threshold used to distinguish major programs as described in §200.518, identification of major programs by listing each individual major program and a statement as to whether the LUA qualified as a low-risk auditee under §200.520 2) findings relating to the financial statements which are required to be reported in accordance with GAGAS and 3) findings and questioned costs for Federal awards and must include audit findings as defined in §200.516 Audit findings, paragraph (a).

Section 2 CFR, Part 200.516 further discusses the requirements for reporting Audit Findings in accordance with the Uniform Grant Guidance. Furthermore, Section 2 CFR Part 200.517 details the requirements for Audit documentation when conducting a single audit, and Part 200.518 detailed how to determine if a federal program must be considered a major program.

§200.508 Auditee Responsibilities.

The LUA must:

- (i) Procure or otherwise arrange for the audit required by this part in accordance with §200.509 Auditor selection, and ensure it is properly performed and submitted when due in accordance with §200.512 Report submission.
- (ii) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.
- (iii) Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with §200.511 Audit findings follow-up, paragraph (b) and §200.511 Audit findings follow-up, paragraph (c), respectively.
- (iv) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.

Section 2 CFR Part 200.509 further details the requirements when selecting an auditor to perform the single audit testing.

The following include the requirements when selecting an auditor:

- (i) Auditor procurement. In procuring audit services, the LUA must follow the procurement standards prescribed by the Procurement Standards in §§200.317 Procurement by states through 20.326 Contract provisions of Subpart D-Post Federal Award Requirements of this part or the FAR (48 CFR Part 42), as applicable. When procuring audit services, the objective is to obtain high-quality audits. In requesting proposals for audit services the objectives and scope of the audit must be made

clear and the non-Federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS. Furthermore, factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. Whenever possible, the LUA must make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises, in procuring audit services as stated in §200.321.

- (ii) Restriction on auditor preparing indirect cost proposals. An auditor who prepares the indirect cost proposal or cost allocation plan may not also be selected to perform the audit required by this part when the indirect costs recovered by the LUA during the prior year exceeded \$1 million. This restriction applies to the base year used in the preparation of the indirect cost proposal or cost allocation plan and any subsequent years in which the resulting indirect cost agreement or cost allocation plan is used to recover costs.
- (iii) Use of Federal auditors. Federal auditors may perform all or part of the work required if they comply fully with the requirements of this part.

§200.510 Financial Statements.

- (i) *Financial statements.* The LUA must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements.
- (ii) *Schedule of expenditures of Federal awards.* The LUA must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the LUA may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the LUA may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:
 - a. List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

- b. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- c. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- d. Include the total amount provided to subrecipients from each Federal program.
- e. For loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- f. Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the LUA elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

§200.511 Audit findings follow-up.

(a) *General.* The LUA is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the LUA must prepare a summary schedule of prior audit findings. The LUA must also prepare a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under §200.516 Audit findings, paragraph (c). Since the summary schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred. The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.

(b) *Summary schedule of prior audit findings.* The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected in accordance with paragraph (b)(1) of this section, or no longer valid or not warranting further action in accordance with paragraph (b)(3) of this section.

(1) When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.

(2) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.

(3) When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

- (i) Two years have passed since the audit report in which the finding occurred was submitted to the FAC;
- (ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and
- (iii) A management decision was not issued.

(c) *Corrective action plan.* At the completion of the audit, the LUA must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the LUA does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

§200.512 Report submission.

(a) *General.*

(1) The audit must be completed and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

(2) Unless restricted by Federal statutes or regulations, the LUA must make copies available for public inspection. The LUAs and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

(b) *Data Collection.* The Federal Audit Clearinghouse (FAC) is the repository of record for Subpart F—Audit Requirements of this part reporting packages and the data collection form. All Federal agencies, pass-through entities, and others interested in a reporting package and data collection form must obtain it by accessing the FAC.

(1) The LUA must submit required data elements described in Appendix X to Part 200—Data Collection Form (Form SF-SAC), which state whether the audit was completed in accordance with this part and provides information about the LUA, its Federal programs, and the results of the audit.

(2) Using the information included in the reporting package, the auditor must complete the applicable data elements of the data collection form. The auditor must

sign a statement to be included as part of the data collection form that indicates, at a minimum, the source of the information included in the form, the auditor's responsibility for the information, that the form is not a substitute for the reporting package, and that the content of the form is limited to the collection of information prescribed by OMB.

(c) *Reporting package.* The reporting package must include the:

(1) Financial statements and schedule of expenditures of Federal awards discussed in §200.510 Financial statements, paragraphs (a) and (b), respectively;

(2) Summary schedule of prior audit findings discussed in §200.511 Audit findings follow-up, paragraph (b);

(3) Auditor's report(s) discussed in §200.515 Audit reporting; and

(4) Corrective action plan discussed in §200.511 Audit findings follow-up, paragraph.

(d) *Submission to FAC.* The LUA must electronically submit to the FAC the data collection form and the reporting package.

(e) *Requests for management letters issued by the auditor.* In response to requests by a Federal agency or pass-through entity, LUAs must submit a copy of any management letters issued by the auditor.

(f) *Report retention requirements.* LUAs must keep one copy of the data collection form and one copy of the reporting package on file for three years from the date of submission to the FAC.

(g) *FAC responsibilities.* The FAC must make available the reporting packages received in accordance with paragraph (c) of this section and §200.507 Program-specific audits, paragraph (c) to the public, except for Indian tribes exercising the option in (b) (2) of this section, and maintain a data base of completed audits, provide appropriate information to Federal agencies, and follow up with known LUAs that have not submitted the required data collection forms and reporting packages.

(h) *Electronic filing.* Nothing in this part must preclude electronic submissions to the FAC in such manner as may be approved by OMB.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75887, Dec. 19, 2014]

SUMMARY

LUAs are subject to Section 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and should use these regulations in the administering of federal funds.