

THE PPC GOVERNMENTAL UPDATE

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2020 Compliance Supplement Addendum Issued



In late December of 2020, the Office of Management and Budget (OMB) issued an Addendum to the 2020 OMB Compliance Supplement that addresses new COVID-19-related programs, provides information on modified compliance requirements that are relevant to COVID-19 funding for existing programs, adds one new non-COVID-19-related cluster, includes other requirements and guidance, and extends certain single audit reporting package deadlines.

The Addendum is effective for audits of fiscal years beginning after June 30, 2019 (the same as the 2020 Compliance Supplement), and must be used in conjunction with the 2020 Compliance Supplement to determine appropriate audit procedures.

The Addendum makes a number of modifications to the 2020 Compliance Supplement, including the following:

- Adds an Addendum-specific table of contents.
- Adds a supplementary Part 2 matrix.

- Adds new cross-cutting provisions in Part 3 of the Reporting section for subrecipient reporting requirements under the Federal Funding Accountability and Transparency Act (FFATA).
- Adds additional programs to Part 4 with new compliance requirements as a result of COVID-19 funding, as well as one new cluster unrelated to COVID-19.
- Updates Part 5 for COVID-19 considerations for the Student Financial Assistance (SFA) cluster.
- Updates Part 8, Appendix VII, in relation to audit due dates, donated personal protective equipment, and other matters.

The key provisions of the Addendum are summarized in this article. However, auditors and recipients of COVID-19-related funding need to review the Addendum in its entirety to ensure its guidance is appropriately applied to their single audits.

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Practical Consideration:

The Compliance Supplement Addendum can be accessed at www.whitehouse.gov/omb/management/office-federal-financial-management/. PPC's SMART Practice Aids—Single Audit Suite will be updated for the Addendum by the end of February.

FFATA Reporting

For audits of fiscal years ending on or before September 30, 2020, auditors must test FFATA reporting for all COVID-19-related programs included in the Addendum, with the exception of the Coronavirus Relief Fund (CFDA/Assistance Listing No. 21.019), *if*:

- The reporting compliance requirement is marked as “Y” in the Part 2 matrix and the auditor determines reporting to be direct and material and
- The direct recipient makes first-tier subawards of \$25,000 or more and is therefore required to report subaward data through the FFATA Subaward Reporting System.

For audits of fiscal years ending after September 30, 2020, auditors will need to test this requirement for *all* major programs, regardless of whether the funding is COVID-19-related. In addition, the Addendum requires auditors to report specific information for noncompliance findings related to FFATA reporting. To assist the auditor in providing the required information, the Addendum includes a recommended table format for these findings that can be used in the Schedule of Findings and Questioned Costs.

Practical Consideration:

FFATA's reporting requirements relate to subaward reporting by primary recipients for virtually all federal grants and cooperative agreements. All agencies are to collect (and recipients and subrecipients are to report) specific data related to subaward reporting. Part 3, Section L, of the 2020 Compliance Supplement Addendum provides an in-depth discussion of FFATA's reporting requirements as well as suggested audit procedures.

New and Existing COVID-19 Programs Included in the Addendum

The Addendum adds a supplementary Part 2 matrix

and Part 4 has been expanded to address the following federal programs:

- New COVID-19-related programs:
 - 16.034 Coronavirus Emergency Supplemental Funding
 - 21.019 Coronavirus Relief Fund
 - 32.006 COVID-19 Telehealth Program
 - 84.425 Education Stabilization Fund
 - 93.461 COVID-19 Testing for the Uninsured
 - 93.498 Provider Relief Fund
- Existing programs with COVID-19-related funding:
 - 10.001 Multiple Program COVID-19 Waivers for Food and Nutrition Service Programs
 - 14.862 Indian Community Development Block Grant Program
 - 93.153 Coordinated Services and Access to Research for Women, Infants, Children, and Youth
 - 93.914 HIV Emergency Relief Project Grants
 - 93.917 HIV Care Formula Grants
 - 93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
- New non-COVID-19 cluster—Federal Motor Carrier Safety Assistance cluster (20.218 and 20.237)

For COVID-19-related programs that are not included in the Addendum, auditors should continue to use the guidance in Part 7 of the 2020 Compliance Supplement to identify and document compliance requirements that are applicable, and direct and material, to the program. The practice aids for *PPC's Guide to Audits of Local Governments* and *PPC's Guide to Single Audits* include an audit program based on Part 7.

SFA Cluster

The compliance requirements for the SFA cluster are not addressed in detail in the Addendum. However, the Addendum points out that, as a result of the COVID-19 pandemic, there may have been requirements that were waived or changed for certain institutions. Therefore, auditors need to review resources provided by the Department of Education and institution-specific communications in order to determine the appropriate audit steps to test for compliance.

Practical Consideration:

The Department of Education has developed a comprehensive website related to COVID-19 matters that auditors should use as a resource. The website can be accessed at www.ed.gov/coronavirus?src=feature.

Single Audit Reporting Package Extension

Due to the delayed guidance related to COVID-19 funding that is provided in the Addendum, the OMB has granted a three-month extension to complete and submit the single audit reporting package. The extension is automatically granted to single audits with original due dates from October 31, 2020, through June 30, 2021 (fiscal years ending January 31, 2020, through September 30, 2020), for recipients and subrecipients that received COVID-19 funding during the audit period. No approval is needed to use the extension. However, the reason for the delayed submission should be documented. Entities that take advantage of the automatic three-month extension will still qualify as a low-risk auditee.

PRF and the SEFA

The Addendum clarifies that entities which received and expended (or replaced lost revenue) with the U.S. Department of Health and Human Services (HHS) Provider Relief Fund (PRF) (CFDA/Assistance Listing No. 93.498) will not include those amounts on the schedule of expenditures of federal awards (SEFA) until December 31, 2020, year ends. Therefore, for entities with fiscal year ends prior to December 31, 2020, PRF will not factor into major program determination and is not subject to single audit in that year. (However, these funds would still need to be audited for financial statement purposes and would still be subject to compliance with the terms and conditions of the award.) The PRF expenditures and lost revenue amounts will first be reported in the SEFA and audited under the Uniform Guidance in a fiscal year ending on or after December 31, 2020. The reason for this unusual and inconsistent treatment between entities receiving PRF funding with varying year ends is so that the SEFA reporting will link to calendar year reporting for HHS.

Part 4 of the Addendum provides specific guidance for amounts to report on the SEFA for entities who receive and expend PRF by their respective fiscal year ends. The following summary outlines PRF SEFA reporting requirements:

- Fiscal years ending before December 31, 2020: Do not report PRF on SEFA.
- Fiscal years ending December 31, 2020: Report based on December 31, 2020, PRF Report.
- Fiscal years ending January 1, 2021, through June 29, 2021: Report based on December 31, 2020, PRF Report.
- Fiscal years ending June 30, 2021, and later: Refer to the 2021 Compliance Supplement for guidance.

For fiscal years ending from December 31, 2020, through June 29, 2021, entities must disclose in the notes to the SEFA that the expenditures (including lost revenue) presented are based on the PRF Report for the calendar year ending December 31, 2020.

PPE and the SEFA

Appendix VII of the Addendum explains that, under OMB Memorandum M-20-20, federal agencies and recipients could donate personal protective equipment (PPE) purchased with federal funds to various entities for use in the COVID-19 response. Because, in most cases, PPE was donated without compliance or reporting requirements, or a related CFDA/Assistance Listing number, the donated PPE should not be reported on the SEFA or factor into major program determination. Instead, the fair market value of the federally funded, donated PPE, at the time of receipt, should be reported in a stand-alone footnote in the SEFA.

Practical Consideration:

The Addendum states that the PPE stand-alone footnote to the SEFA can be marked as “unaudited” since it doesn’t affect the single audit and is not required to be audited as a major program.

Other Agency Guidance

Appendix VII also mentions the significant amount of guidance issued by federal agencies outside of the normal regulatory process throughout the pandemic for new and existing COVID-19-related programs. Although auditors may use this guidance to interpret the relevant statutes, regulations, and terms and conditions of federal awards, the guidance doesn’t create new compliance requirements. In addition, the Addendum notes that the guidance has been updated and continues to change over time. In many cases, the Addendum contains links to the agency guidance, and also advises the auditor that they may conclude whether or not the auditee is in compliance with a specific compliance requirement based on their consideration of the implementing guidance at the time of the activity or transaction. However, the Addendum emphasizes that when citing criteria for audit findings, auditors should refer to the statute, regulation, or terms and conditions as the criteria for the audit finding.



Updated AICPA Government Guide

After the start of the pandemic last spring, the AICPA released an updated audit and accounting guide, *State and Local Governments* (SLG). SLG is applicable to all state and local governments. Whether new to these types of audits or an experienced pro, SLG helps practitioners stay current on new standards issued and trends

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affecting state and local government audits. For the current year update, SLG has considered, but not necessarily included, all new standards thru April 1, 2020.

What's New

The accounting and auditing standards-setting bodies have been busy since the last SLG update! The most significant updates this year were the renumbering of the pre-SAS No. 134 AU-C references and the addition of two new appendixes highlighting recently issued standards.

Appendix D provides an overview of GASBS No. 87, *Leases*, while Appendix E provides a summary of SAS Nos. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*; 135, *Omnibus Statement on Auditing Standards—2019*; 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports (AU-C Section 720)*; 138, *Amendments to the Description of the Concept of Materiality*; 139, *Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes From SAS No. 134*; 140, *Amendments to AU-C Sections 725, 730, 930, 935, and 940 to Incorporate Auditor Reporting Changes From SAS Nos. 134 and 137*; and 141, *Amendment to the Effective Date of SAS Nos. 134–140* and their effect on the auditor's report. These nonauthoritative appendixes are for information purposes only.

Other recently issued standards discussed in SLG include GASBS No. 91, *Conduit Debt Obligations*; GASBS No. 93, *Replacement of Interbank Offered Rates*; GASBS No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASBS No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*; and SSAE No. 19, *Agreed-Upon Procedures Engagements*.

Additionally, the following new standards were incorporated into the guidance:

- *Government Auditing Standards, 2018 Revision*
- Amendments to GASBS No. 38, *Certain Financial Statement Note Disclosures*
- Amendments to GASBS No. 81, *Irrevocable Split-Interest Agreements*
- GASBS No. 83, *Certain Asset Retirement Obligations*
- GASBS No. 84, *Fiduciary Activities*
- GASBS No. 85, *Omnibus 2017*
- GASBS No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASBS No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*
- GASBS No. 92, *Omnibus 2020*
- GASB IG No. 2018-1, *Implementation Guidance Update—2018*
- GASB IG No. 2019-1, *Implementation Guidance Update—2019*
- GASB IG No. 2019-2, *Fiduciary Activities*
- ET 1.224.020, *State and Local Government Client Affiliates interpretation*
- Q&A Section 6950.24, *Auditor Assessment of a Special-Purpose Government's Only Immaterial Fiduciary Fund*

As SLG considers guidance issued only through April 1, 2020, remember to review subsequently issued guidance to determine its effect on your state and local government audits.

Practical Consideration:

SLG is available from the AICPA at www.aicpastore.com or on Checkpoint at checkpoint.riag.com.

