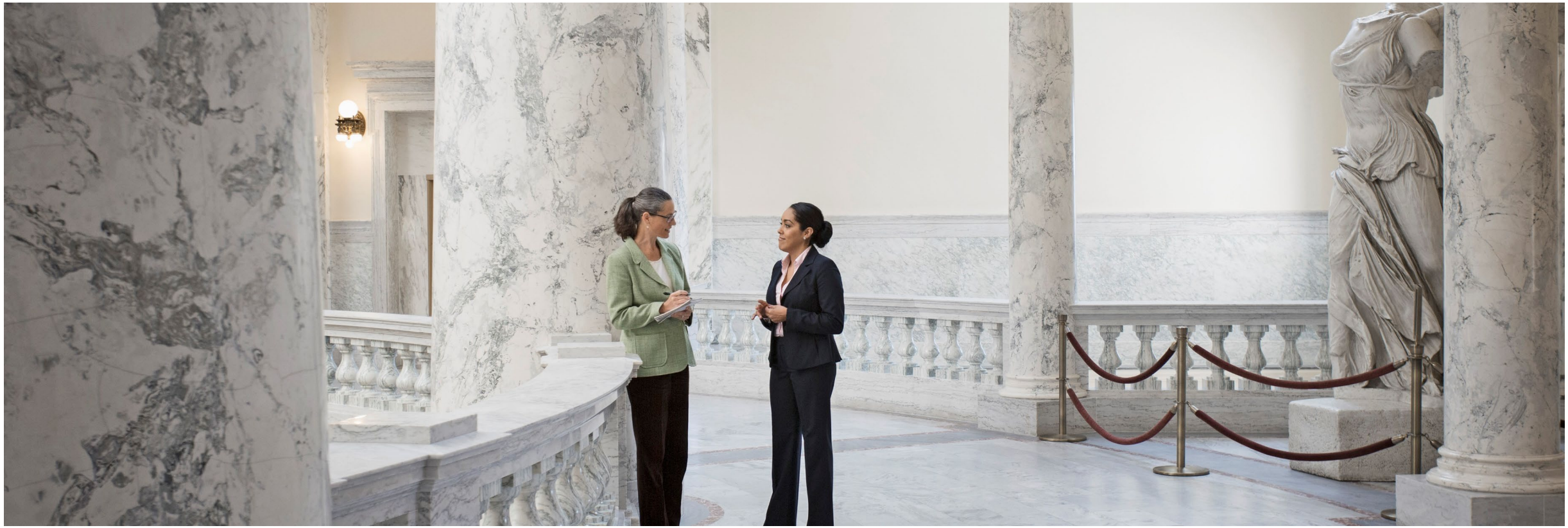

Single Audit: Newbie to Advanced Update

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Agenda

- Single Audit 101
- How Single Audits are performed
- Being audit-ready
- What’s changing
- Audit quality hot spots
- Action planning

Terminology & Abbreviations

AICPA	Association of International Certified Professional Accountants	GAAS	Generally Accepted Auditing Standards
ALN	Assistance Listing Number	GAGAS	Generally Accepted Government Auditing Standards
BABA	Build America Buy America Act	GAO	Government Accountability Office
CFR	Code of Federal Regulations	GAQC	Governmental Audit Quality Center
CARES Act	Coronavirus Aid, Relief, and Economic Security Act	OMB	Office of Management and Budget
COVID-19	Coronavirus Disease	QCR	Quality Control Reviews
CPE	Continuing Professional Education	QC	Questioned Cost
CSLFRF	Coronavirus State and Local Fiscal Recovery Funds	PTE	Pass-Through Entity
DCF	Data Collection Form	SEFA	Schedule of Expenditures of Federal Awards
FR	Federal Register	SFQC	Schedule of Findings Questioned Cost
FAC	Federal Audit Clearinghouse	UG	Uniform Guidance
FEMA	Federal Emergency Management Agency		

Single Audit Overview

What is a Single Audit?

- Specific Audit for Federal Grants under the Uniform Guidance
- Required for entities that expend more than $1,000,000 in federal awards in a single fiscal year
- Considers financial statements, internal controls, and compliance with laws and regulations surrounding the federal awards
- Less focused on the balance of accounts and is more focused on auditee compliance

What is a Schedule of Expenditures of Federal Awards (SEFA)?

- Supplemental schedule to an organization's financial statements that recaps expenditures of federal funds for the fiscal year
- Key reporting package component required by Uniform Guidance
- Used to determine which programs will be audited as part of the single audit
- Provides assurance to agencies that awarded financial assistance related to their grants are included in the audit

SEFA Requirements – (Uniform Guidance at Subpart F)

- List individual programs by federal agency
- If award is received as a subrecipient, the name and ID number assigned by the pass-through entity must be listed
- Provide total amount expended and the Assistance Listings Number for each federal award
- Include the total amount by federal award for each subrecipient
- In addition to listing the expenditures for loan programs, identify in the notes any balances outstanding at the end of the period
- Identify accounting policies used to prepare the SEFA and identify the federal agency-approved indirect cost rate used

Single Audit – Uniform Guidance, Recipient and Subrecipient Responsibilities

- Confirm that the Single Audit is properly performed and submitted when due
- Procure the Single Audit using the procurement standards found in UG, if the Single Audit is funded with federal awards
- Prepare appropriate financial statements, including the SEFA
- Provide the auditor with appropriate documents to review
- Promptly follow up and take corrective action on audit findings

Items to Provide to the Auditor

- Staff available to answer questions during the audit
- Financial Statements
- General Ledgers
- Supporting Documentation
- Other Requested Documents
- Policies and Procedures

Compliance Supplement

What is the Compliance Supplement?

1. Issued yearly by the Office of Management and Budget (OMB)
2. Tool for auditors to use when performing the Single Audit
3. Outlines what auditors should look for from selected programs

https://www.whitehouse.gov/omb/information-resources/guidance/compliance-supplement/

2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT

November 2025
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Supplement Sections & Titles

Table of Contents (TOC)

Part 1, *Background, Purpose and Applicability*

Part 2, *Matrix of Compliance Requirements*

Part 3, *Compliance Requirements*

Part 4, *Agency Program Requirements*

Part 5, *Cluster of Programs*

Part 6, *Internal Control*

Part 7, *Guidance for Auditing Programs Not Included in This Compliance Supplement*

Appendix I, *Federal Programs Excluded from the A-102 Common Rule and Portions of 2 CFR Part 200*

Appendix II, *Federal Agency Codification of Government-wide Requirements and Guidance for Grants and Cooperative Agreements*

Appendix III, *Federal Agency Single Audit, Key Management Liaison, and Program Contacts*

Appendix IV, *Higher Risk Designation*

Appendix V, *List of Changes for the Compliance Supplement*

Appendix VI, *Program-Specific Audit Guides*

Appendix VII, *Other Audit Advisories*

Appendix VIII, *Examinations of EBT Service Organizations*

Appendix IX, *Compliance Supplement Core Team*

How to Navigate the Compliance Supplement

- Part 1 gives background and guidance for how to use the compliance supplement
- Part 2 is a Matrix showing which parts of each program will be audited
- Part 3 provides guidance for how each area of compliance should be audited
- Part 4 lists specific grants by Federal Assistance Listing number and outlines their specific considerations

Compliance Supplement for Recipients & Subrecipients

- The compliance supplement is a valuable tool for recipients and subrecipients of federal awards
- Recipients/subrecipients can use it to:
  - Know which areas will be on the audit
  - Identify specific criteria that the auditor will be looking for in each of the areas of compliance
  - Design more effective policies and procedures

Preparing for a Single Audit

Single Audit Preparation Keys

- Compliance Requirements and Related Controls
- Six of the most frequently tested Direct and Material Compliance requirements:
  - Activities Allowed or Unallowed
  - Allowable Costs/Cost Principles
  - Cash Management
  - Period of Performance
  - Procurement
  - Reporting

Internal Controls Under the Uniform Guidance

Compliance Requirements Versus Internal Controls Over Compliance

Compliance	Internal Controls
The Requirements listed in the compliance supplement (ex. allowable costs, eligibility, etc.)	Controls in place to make sure each compliance requirement is met (ex. adequate segregation of duties in review and authorization of costs, computations checked for accuracy, etc.)
Things that are required to be done per the regulations/grant agreement	Designed to prevent or detect and correct instances of noncompliance

What the Auditors are Looking for

Compliance

Whether you did what you were required to do (complied with the compliance requirements)

Internal Controls

Whether controls are effective and operating as designed

Tip: Provide evidence that controls are in place (Show sign offs that two or more people were involved with key controls)

Allowable Costs

Activities Allowed or Unallowed & Allowable Costs/Cost Principles

- Labor
  - Timesheets for specific events or projects
  - Separation of regular wages & overtime
- Equipment usage
  - Vehicle usage logs
  - Stores inventory usage
  - Equipment rates

Activities Allowed or Unallowed & Allowable Costs/Cost Principles

- Control Objectives
  - Provide reasonable assurance that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles
- Control Examples
  - Manager must sign off on invoice to indicate approval of expenditure
  - Journal entries to transfer costs are reviewed and approved
- Illustrative Specific Controls Compliance Supplement Part 6 – Appendix 2

Activities Allowed or Unallowed & Allowable Costs/Cost Principles Continued

- Common Control Findings and Exceptions
  - Absence of evidence of review and approval of payroll (timesheets approved by direct supervisor with knowledge of the program) and nonpayroll expenditures (invoices)
- Oral representation that you performed review of the transactions is not audit evidence of control
- Unreconciled SEFA is an indication of control deficiency over SEFA preparation and potentially an activities allowed or unallowable finding

Period of Performance

Period of Performance

- Control Objectives
  - Provide reasonable assurance that federal funds are used only during the authorized period of availability
- Control Examples
  - Manager must review expenditures immediately before and after grant cut-off date to ensure compliance
  - Manager approval of expenditures to ensure it is within period of performance
- Illustrative Specific Controls: Compliance Supplement Part 6 – Appendix 2

Period of Performance Continued

- Common Control Findings and Exceptions
  - Lack of process/control over review of expenditures on the SEFA schedule and matching it up to the point of purchase of the respective grants/contracts
  - Oral representation that you performed review of the transactions is not audit evidence of control

Procurement, Suspension, & Debarment

Procurement, Suspension, & Debarment

- Procurement thresholds
  - Informal methods for small purchases
    - Micro-purchases (generally $15,000)
    - Simplified acquisitions ($350,000)
  - Formal procurement methods
    - Sealed bids
    - Proposals
    - Noncompetitive procurement
- Suspension & debarment
  - Covered transactions - contracts that are expected to equal or exceed $25,000
  - Verify through sam.gov
  - Clause in contracts

Procurement, Suspension, & Debarment

- Control Objectives
  - Provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of Uniform Guidance as applicable, and that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party
- Control Examples
  - Formalized Procurement Policy
  - Maintain a screenshot or printout of the System for Award Management (SAM) exclusions in file
  - Maintain a federal award checklist with formal documentation of such review and other award related information
  - On a rotating basis, select federal award transactions to confirm item aligns with procurement policy and contractor/vendor was reviewed for suspension/debarment

Procurement, Suspension, & Debarment Continued

- Common Control Findings and Exceptions
  - Did not have an updated policies and procedures to comply with the Uniform Guidance standards
  - Did not maintain a written policy regarding conflict of interest that addresses how employees with conflicts should be excluded from the procurement process
  - Using higher thresholds when compared to entity's procurement policy (if thresholds in the procurement policy are lower than what is allowed per the Uniform Guidance then the organization is required to adhere to lower thresholds)
  - Absence of evidence of approval for procurement decisions
  - Disbursements were made before the actual contract was signed
  - Contract procurement versus subrecipient monitoring and management
  - Did not retain documentation of sam.gov verification

Procurement, Suspension, & Debarment Continued

- Common Control Findings and Exceptions
  - Lack of documentation of sole provider considerations
  - Lack of documentation of emergency justification
  - Contracts executed after work begins

Reporting

Reporting

- Control Objectives
  - Provide reasonable assurance that reports of federal awards submitted to the federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements
- Control Examples
  - Manager must sign off as approving the report
  - Tracking system in place to remind staff when reports are due and who is responsible for preparing the reports
- Illustrative Specific Controls: Compliance Supplement Part 6 – Appendix 2

Reporting Continued

- Common Control Findings and Exceptions
- Absence of evidence of review and approval prior to reports being submitted to the federal grantor(s) and/or pass-through entities
- Oral representation that you performed review of the transactions is not audit evidence of control
- Failure to file the required reports and/or "after the fact submission" can be indicators of control issues
- Unreconciled and/or incomplete supporting documentation can be indicators of control issues

COMMON AUDIT QUALITY FINDINGS

Top 5 local governmental audit findings

CSLFRF (21.027) – Reporting	CSLFRF (21.027) – Procurement and Suspension and Debarment	CDBG Cluster – Entitlement/Special Purpose Grants (14.218 / 14.225) – Reporting	Aging Cluster (93.044 / 93.045 / 93.053) – Reporting	CSLFRF (21.027) – Subrecipient Monitoring
Inaccurate data submitted	Lack of documentation of price/quate analysis	Incomplete or inaccurate IDIS / CAPER	Programmatic report issues	No formal subrecipient monitoring procedures
Report did not reconcile to system	Inadequate records related to bidding	Lack of supporting documentation	Inaccurate financial data reported	Lack of risk assessments
ICs over report prep	Did not verify suspension and debarment	Report did not reconcile to system	Lack of report review prior to submission	Failure to review audit reports & follow-up

Tips to avoid common or repeat findings

Move from “root-cause” to “what management should build into reviews, supervision and templates.”

Single Audit Environment

The Current Single Audit Environment

OMB *Compliance Supplement*	• Changes to federal programs and compliance requirements
Political Volatility/Uncertainty	• Funding priorities, agency roles and compliance expectations can shift faster than annual planning cycles
Audit Timing Pressure	• Delayed Supplements and evolving requirements are creating compressed and challenging audit timelines
Resource Constraints	• Leaders are balancing limited compliance capacity, growing technology needs and pressure to control indirect cost rates.
Impact of AI	• Data reliability and quality risks; AI bias: OMB Memo on AI • Cybersecurity and privacy issues; legal and regulatory uncertainty

Single Audits in a Compressed and Uncertain Environment

2025 Supplement Delay
Delayed issuance created significant compression on timing and compliance with deadlines

→

Uncertainty
Policy changes, shifting funding priorities, legislative impacts (e.g., OBBA), indirect costs

→

Uniform Guidance Changes
2024 UG revision nuances, planned updates to UG for 2026

↓

Changes to Programs
Certain grant programs have been terminated, rescinded or transferred to other federal agencies, creating confusion

→

2026 Supplement Expectations
Potentially later timing, changing higher-risk designations, ALN realignment and program edits

Year	# of Single Audits
2019	37,253
2020	40,173
2021	45,877
2022	47,694
2023	47,478
2024	45,210
2025*	24,935*

*Partial year

<u>To Do</u>: There are a lot of "moving parts" with each of the items on this list. Assign one or more staff members to keep up-to-date on each and ensure that staff are adequately trained.

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Regulatory Watchlist: Uniform Guidance and Regulatory Changes

Uniform Guidance Revisions

- 2024 revisions to 2 CFR Part 200 are effective
- Focus on grant terms and conditions for operational impact, effective dates and internal policy refresh
- Pay attention to agency specific implementation(s)
- Anticipated UG Update for 2026 with focus on revisions to Subpart E relating to indirect costs

Regulatory Changes

- H.R.1 - One Big Beautiful Bill Act (OBBA)
- H.R.4 – Recissions Act of 2025
- E.O. 14332 – Improving Oversight of Federal Grantmaking
- E.O. 14395 – Establishing Task Force to Eliminate Fraud
- H.R.8312 Establish Fraud Prevention and Program Integrity within the U.S. Dept. of Treasury
- H.R.8107 Government Audit and Accountability of Federally Funded State-Administered Programs Act
- Web and Mobile Accessibility Regulation for Public Entities
- Federal agency policy actions regarding indirect costs
- Proposed changes to SAM.gov

To do: Update policies where needed, but focus on ownership, process and documentation.

Disclaimer: This list is not all inclusive but was developed focusing on regulations that are significant to the public sector.

Federal Administration Updates

- E.O. 14332 – Improving Oversight of Federal Grantmaking
  - Mandates political appointee oversight of all discretionary federal grants, plain-language and expert-reviewed grant announcements, restrictions on certain types of funded activities, tighter indirect-cost control, and mandatory termination-for-convenience clauses.
  - OMB is reopening UG for additional updates
    - Pre-award considerations
    - Proposed changes to indirect costs
    - Strengthen the existing provisions to allow the federal government to terminate all discretionary grants for convenience

Federal Administration Updates

E.O. 14395 – Establishing the Task Force to Eliminate Fraud

- Mandates the task force to coordinate and accelerate a comprehensive national strategy to stop fraud, waste, and abuse within federal benefit programs
- Each Federal agency administering federal benefit programs shall provide to the task force information concerning programs the task force deems relevant to uncovering benefits fraud and increase fraud-detection capabilities
- Each agency administering Federal benefit programs on the task force shall identify the agency's benefit transactions and processes that are most susceptible to fraud schemes
- Local jurisdictions may need to implement anti-fraud requirements

H.R.8107 – Government Audit and Accountability of Federally Funded State-Administered Programs Act

- Would task the GAO with delivering an audit to Congress identifying the highest risks to federal dollars
- Would identify program areas and administrative practices that present the greatest risk to federal dollars being administered by state and local governments
- GAO would scrutinize the findings of federal and state auditors, inspectors general and attorneys general, single audit reports, and other publicly available federal oversight and program integrity data

Federal Administration Updates

- Web and Mobile Accessibility Regulation for Public Entities
  - 89 FR 31320 amended 28 CFR 35 to add Subpart H
  - Effective Dates (Updated):
    - 04/24/27 for a **public entity**, other than a special district government, with a total population of 50,000+
    - 04/26/28 for a **public entity** with a total population of less than 50,000 or any special district government
  - Public entity means
    - Any state or local government;
    - Any department, agency, special purpose district, or other instrumentality of a State or States or local government; and
    - The National Railroad Passenger Corporation, and any commuter authority (as defined in section 103(8) of the Rail Passenger Service Act).

Other Federal Updates – Fraud Risk and Program Integrity Actions

Program integrity issues related to emerging fraud risks in federal assistance programs, especially related to benefit programs. As a result, an EO was issued as follows:

- EO - Establishing the Task Force to Eliminate Fraud – To coordinate enhanced oversight, eligibility verification, data sharing and enforcement actions aimed at preventing, detecting and responding to fraud, waste and abuse in federal benefit programs

To-Do: Stay tuned for how this might impact future regulations

Other Federal Updates– Department of Education Updates

Transition of federal programs to other federal agencies as follows:

- Movement of the Office of Elementary and Secondary education, which administers K-12 grant programs, and the Office of Post Secondary Education, which administers programs to help students access and complete college, to the Department of Labor
- Movement of the Indian Education program to the Department of Interior
- Movement of childcare access and foreign medical education to HHS
- Movement of foreign language education to the Department of State

The GAQC submitted a comment letter on the FR PRA Notice related to the calculation of improper payments

These changes have direct implications for compliance requirements, oversight responsibility and audit procedures

The GAQC will continue to monitor and keep members informed of any updates

Other Federal Updates– Department of Education Updates

EO – 14279 – Reforming Accreditation to strengthen higher education

- Accreditation is central to Title IV funding eligibility and institutional reporting. Changes here can increase compliance risk

EO – 14282 – Transparency Regarding Foreign Influence at American Universities

- Heightens enforcement of foreign gift/contract reporting which increases risk and documentation requirements under federal grants

Negotiated Rulemaking - Reimagining and Improving Student Education (91 FR 4254) related to OBBA

- Redefines “professional student”. The AICPA issued a news release in response to the redefined “professional student”
- Eliminates Grad PLUS program for new borrowers

Other Federal Updates – Current Status of Indirect Cost Rate Caps

***Note**: As of now, no federal 15% indirect cost rate caps are in effect*

Agency	Current Status
NIH	Proposed policy to cap IDC 15% blocked from implementation. First Circuit Court of Appeals affirming lower courts decision to block
DOE	Proposed policy to cap IDC 15% for IHE's blocked from implementation. Policy guidance rescinded in the FY26 Energy-Water Appropriations Bill. DOE is moving to dismiss case
NSF	Proposed policy to cap IDC at 15%, summary judgement issued on June 20, 2025, blocking implementation of the policy. New NSF awards issued will not implement NSF 25-034 but will include a term applying NSF 25-034 for the entirety of the award if a subsequent court decision permits application of the policy
DoD	Proposed policy to cap all new awards to IHEs at 15% or lower. Challenged in court, appealed and on February 18, 2026, First Circuit Court of Appeals granted governments motion to drop its appeal, permanently vacating the DoD policy

<u>To-Do</u>: Institutions should continue using their federally negotiated indirect cost rates unless explicitly notified otherwise

Other Federal Updates – HUD

- HUD's REAC FASSUB (Financial Assessment Subsystem – Multifamily Housing) system multifamily submission template has not been updated to reflect the non-profit threshold increase from $750k to $1M and it currently remains at $750k
- FASSUB still applies the $750K threshold, preventing validation of owner-certified submissions when total federal awards are between $750K–$1M
- Owner-certified submissions cannot validate, even though an audit is not required under the current $1M threshold

FAC / GSA updates and resubmissions

Submission

Initial filing and validation steps

Resubmission trigger

Issue found after filing or agency feedback

Working group criteria

Materiality and process criteria influence whether resubmission is needed

Impact

Potential low-risk auditee implications and timeline disruption

Other FAC Updates

- GSA issued PRA to add several ‘optional’ fields to the SF-FAC.
- New feature introduced allowing users to delete “In Progress” audits before they have been submitted. Review this FAC Helpdesk article to learn more.
- No movement on reinstating email notifications for each step in the process.
- Watch for future updates on the *Updates from the FAC* section of the GSA FAC site.

2026 Compliance Supplement Expectations

Expectations for 2026 *Compliance Supplement*

- Timeline update – May issuance unlikely
- Limited scope review process – only statutory and regulatory updates
- 5 new programs; 9 deleted programs
- Realigned/Decoupled programs – This is when the agency creates separate ALNs for an existing program. There are several in the 2026 Supplement
  - Not considered new programs as no new funding is involved. Treated as a cluster
  - Realignments are made for agency reporting purposes and to align with the current administration's initiatives in OMB Memorandum M-24-11
  - For look back requirements, these programs will still be considered to have been audited in the prior 2 years, where applicable
  - Part 2, Matrix of Compliance Requirements will identify realigned programs separate from new and deleted programs

CAUTION! Information on 2026 Supplement is based on most recent vett drafts the GAQC has reviewed

Review final Supplement closely to learn more about the final changes

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Expectations for 2026 *Compliance Supplement*

Part 3 of the Supplement will revert to a single Part 3, rather than being split into Parts 3.1 and 3.2

No changes expected to Part 4 for Dept. of Ed programs, including Part 5, SFA Cluster. Part 5.4 (Other Clusters) will be updated for realignments

Terminology change from “matching” to “cost sharing” throughout the Supplement

Changes to Part 4 program drafts include:

- Changes due to law and regulation updates; updates to compliance requirements; and special tests and provisions updates

Require FFATA reporting testing on every major program for 2026 only

Changes to Part 6 and 8 to completely remove Appendix I and II and to provide guidance on realignments as well as the look back criteria for program realignments

CAUTION! Information on 2026 Supplement is based on most recent vett drafts the GAQC has reviewed. Review final Supplement closely to learn more about the final changes

Expectations for 2026 *Compliance Supplement*

- Appendix IV, Higher Risk Designation: Likely to be three higher risk programs

Assistance Listing Number	Title
93.778/93.777/93.775	Medicaid Cluster
93.489/93.575/93.596	Child Care and Development Fund Cluster (CCDF)
93.558	Temporary Assistance for Needy Families (TANF)

Latest draft showed that the following programs were removed from the higher risk list:

- ALN 15.252 – Abandoned Mine Land Reclamation (AMLR)

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Audit Quality / Peer Review Hot Spots

Audit Quality Timeline

June 2007

Report on National Single Audit Sampling Project

- 115 acceptable / 30 significant deficiencies and limited reliability / 63 unacceptable and could not be relied upon

April 2024

Improving FAC Information and Usability Could Strengthen Federal Award Oversight

- Findings in the report indicated data quality issues in the DCFs submitted

December 2024

Financial Management Risk Reduction Act

- Must conduct a gov't-wide analysis of single audit quality within 3 years of enactment and every 6 years thereafter

October 2025

Single audit Quality Analysis

- HHS is the oversight agency in charge of the upcoming single audit quality analysis. The results will go to OMB who must then submit them to Congress by 12/31/27.

Single Audit - Common Audit Quality Findings from Peer Review, Ethics and Federal Agency Reviews

- Independence considerations
- Professional judgment/ Due professional care
- Major program determination
- Sampling
- Reporting matters
- Audit findings

Common Peer Review Findings and Matters

Independence considerations

- Lack of documentation for one or more of the following:
  - Consideration of management's ability to oversee non-audit services
  - Identification of threats that require safeguards
  - Application of safeguards to eliminate or reduce threats to an acceptable level

Auditor qualifications and firm management

- Failure to meet the Yellow Book CPE requirements including 80 hours of A&A and 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the auditee operates

Major program determination

- Failure to group programs with the same ALN and failure to consider clusters
- Failure to properly perform Type A and Type B program risk assessments
- Incorrect determination of the auditee as low-risk resulting in insufficient coverage

Common Peer Review Findings and Matters

Risk assessment

- Not documenting use of the applicable year's Compliance Supplement
- Lack of documentation of rationale for compliance requirements that are subject to audit but determined to not be direct and material or not applicable to the audited entity
- Inadequate documentation of IR, CR, fraud risk, and detection risk over compliance for each compliance requirement that has a direct and material effect on each of the major programs
- Inconsistent (or failure to) documentation regarding the auditor's risk assessment and substantive audit procedures
- Not considering entity-wide risk assessment procedures
- Failure to consider the risk arising from the use of IT

Common Peer Review Findings and Matters

Sampling

- Incomplete populations / not documenting completeness
- Incorrect sampling units
- Sampling plan was not documented
- Basis for deviations from the sampling plan was not documented
- Inadequate sample sizes – not following applicable guidance & dual-purpose
- Sample selection methodologies – block sampling, sample of a sample
- Sample selected for was not the appropriate size based on the risk assessments
- Performing interim testing and not extending the sample for the remainder of the year
- Inadequate sample sizes when exceptions or deviations are detected without further audit procedures documented

Common Peer Review Findings and Matters

Testing of internal control over compliance

- Inadequate documentation of:
  - Understanding of internal control sufficient to plan the audit to support low assessed level of CR for major program(s)
  - Internal control testing for each direct and material compliance requirement of a major program
  - Evaluation and disposition of each deviation & related effect on compliance testing
  - An evaluation of whether control deficiencies (either individually or in combination) were significant deficiencies or material weaknesses, in relation to each compliance requirement for the major program
- Identification of a process vs. a control
- Linking RMNC to controls in place to address

Common Peer Review Findings and Matters Internal Control over Compliance Quality Issues

Issues found Planning

- Combined internal control assessments for all major programs when major programs differed significantly
- Could orally explain their understanding of internal control but did not document it
- Used a generic questionnaire that was not tailored to the client
- Thought a walkthrough of internal controls over financial reporting was sufficient
- Relied on controls at the grantor to eliminate the need for control testing
- Relied heavily on audit programs without understanding the steps they were signing off on

Issues found in Performance

- Generic audit programs- signing off on procedures where there was no indication work was performed
- Did not test controls because tested 100% of disbursements
- Did not test controls because thought that federal awards follow the same internal control system as non-federal awards
- Did not test controls because thought that such tests are required every three years
- Did not test controls because assessed control risk at “high“ and didn’t report a finding
- Documentation significantly lacking

Common Peer Review Findings and Matters

Testing compliance

- Failure to include test of transactions for each compliance requirement for the major program
- Testing multiple major programs with one sample
- Compliance testing of specific program requirements identified in Part 4 of the Compliance Supplement was not performed and/or documented for each compliance requirement of a major program
- Inadequate documentation of:
  - Testing of compliance requirements as listed in the Compliance Supplement
  - For dual-purpose tests, the attributes tested did not provide a clear distinction of which were tests of relevant controls vs tests of compliance
  - Alternative compliance procedures performed when exceptions are identified

Common Peer Review Findings and Matters

Reporting matters – SEFA and Notes

- Testing SEFA:
  - Internal controls over preparation of the SEFA
  - Procedures to determine whether the SEFA is fairly presented in all material respects
  - Reconciliation of SEFA to amounts in the financial statements
- Presentation and Disclosure:
  - Presentation of the total of a program cluster including proper identification of clusters as required by professional standards
  - Not disclosing direct and pass-through awards
  - Failure to disclose whether the de minimis indirect cost rate was used
- Data Collection Form errors

Common Peer Review Findings and Matters

Correspondence with those charged with governance

- A management letter issued by the auditor was referenced in the audit report, but when a copy was requested:
  - It was not provided
  - The auditor confirmed a letter was never issued and was incorrectly referenced in the audit report
- The management letter identified conditions that met the reporting requirements identified in 2 CFR 200.516(a) but that were not reported as required

Audit findings

- Did not contain all the required elements
- Identification of the proper criteria or incorrectly describing the condition/context
- No disclosure of questioned costs or explanation why an amount could not be determined
- Not detailed to determine proper perspective
- Evaluation of the finding disposition in the working papers did not agree to the audit report

AICPA Audit Guide Changes

Background and Update Process

Background

Interpretive Publication as defined in AU-C Section 200

- Includes recommendations on the application of GAAS to YB and Single Audits
- Auditors are required to consider in planning/performing audit

Covers various aspects of auditor planning, performance, and reporting in both Yellow Book and Single Audit engagements

The Guide is more detailed than many other AICPA Guides due to the inclusion of recommendations from previous federal audit quality studies (e.g., detailed sampling guidance)

Why the Update?

Last major update was in 2009

Since then, the Guide has only been updated for specific technical updates and conforming changes

GAQC Executive Committee reviewed with the following objectives:

- Review and reorganize, eliminating duplication and organizing to align with flow of an audit
- Address quality concerns from various reviews
- Enhance guidance in areas where there is significant diversity in practice

Implementation Timeline for the 2026 Edition of the GAS-SA Guide

September 2025

2025 Guide Issuance

Includes Appendix B, which previews changes to Part II - *Single Audits Under the Uniform Guidance*

Interim

Review Period

Time period for users to consider the guidance in Appendix B and prepare accordingly

September 2026

2026 Guide Issuance*

Part II - *Single Audits Under the Uniform Guidance* is now the content previously included in Appendix B

***This edition of the Guide has been updated with dual guidance to reflect changes that result from SAS No. 149**

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2025 AICPA Audit Guide, *Government Auditing Standards* and Single Audits – Key Changes

- Enhanced Risk Assessment procedures – focus on entity wide considerations, internal control and linkage between risks and procedures
- Incorporates 2024 Uniform Guidance revisions into audit guidance
- Expanded focus in IT in Single Audits
- Clarification around compliance testing & findings

Overall focus on risk driven procedures, controls and documentation

Why are the enhancive changes included in Appendix B of the 2025 edition of the Guide?

AICPA Guides do not have effective dates as they do not establish requirements

Appendixes to the Guide are included for informational purposes and have no authoritative status

The appendix approach allows users time to consider the new guidance and incorporate it, as appropriate, into audit practice aids and other documents used as part of a Uniform Guidance compliance audit in advance of its final issuance in the 2026 edition of the Guide

Once the content in Appendix B is included in the body of the 2026 Guide, the auditing related content will become an interpretive publication, as defined in AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*

AU-C section 200 requires the auditor to consider applicable interpretative publications in planning and performing the audit

What is the effective date of the enhancive changes included in Appendix B of the 2025 edition of the Guide?

There is not a specific date that the 2026 Guide applies to engagements. Firms have flexibility in implementing the Guide since interpretive publications become effective upon issuance without prescribed dates

For example, a firm may decide to implement for audits with years ending on or after September 30; or they may choose December 31. Alternatively, firms may decide to implement based on a specific date not tied to audit year-ends (for example, for audits started on or after September 1). When deciding on an implementation approach, a few considerations may be your firm's size, client base, workload cycles, and resource availability

Each firm should evaluate the changes, determine what needs to be updated, and determine when those updates will take effect for the firm. We recommend documenting the firm’s chosen implementation approach and effective date in written policies and methodology guidance and provide staff with sufficient lead time for training and transition

Recap

Recap

- **Single Audit fundamentals still matter**
  - SEFA accuracy drives everything
  - Compliance does not equal internal controls (you need both)
- **Audits are increasingly focused on documentation**
  - If it’s not documented, it didn’t happen
  - Evidence of review/approval is critical
- **Most findings are preventable**
  - Procurement, reporting, allowable costs
  - Issues usually tie back to weak controls and poor documentation
- **The Compliance Supplement is your road map**
  - Know what applies to your program
  - Design controls around direct and material requirements

How to Prepare in 2026

- Track UG applicability by award
- Reassess internal controls
- Review policies and procedures
- Expect more auditor questions

Questions?

Contact

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