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F06 - How To Accurately Prepare Your SEFA

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Agenda

- Determining Single Audit Applicability
- SEFA Requirements
- SEFA Preparation Considerations
 - Revenue/Expenditure Recognition
 - Program Classification and Grouping





Determining Single Audit Applicability

- Federal agencies and/or pass-through entities (PTE) are responsible for communicating applicability of single audit requirements for grants awarded/federal assistance provided
- Agency or PTE should classify the program payment recipient as one of the following, which will determine whether they are within the scope of the recipient's single audit:
 - Subrecipient – subject to single audit
 - Beneficiary – not subject to single audit
 - Contractor – not subject to single audit
- Most K12 programs are grantor-subrecipient relationships; HOWEVER



Determining Single Audit Applicability

- Child Care Relief payments are beneficiaries and thus, these will not be within the scope of single audits
- Beneficiary and contractor payments are still classified as federal within the basic financial statements, but are not presented on the SEFA and are not included within the single audit thresholds or evaluated for major program determination purposes
- Receipt of beneficiary or contractor payments will result in a reconciling item between SEFA expenditures and federal revenue reported in the basic financial statements
- If unsure how to treat funds received, request clarification/guidance from the PTE



SEFA Requirements

SEFA must contain

- Federal Agency/Program Name
- Assistance Listing Number (ALN)
- Pass-through entity name and identifying number
- Noncash assistance
- Total amount provided to subrecipients
- Expenditures
- K12 schools are also required to include PY expenditures (cumulative), PY accrued, CY cash receipts, CY accrued
 - Beginning on pg. 10 in the MDE Michigan School Audit Manual
 - General Audit Issues, Section A, Part VII



SEFA Requirements

- Grants need to be reported when:
 - Expended and/or
 - Funds are received (deferred)
- Programs funded with emergency relief funds must be separately identified and labeled as such
- May have to re-organize if SEFA is typically sub-totaled bypass-through entity



SEFA Preparation Considerations

1. Federal Expenditures - should come from your general ledger detail*

- Utilize MDE grant codes for reporting of expenditures and to ensure compliance with FID reporting
- *Child Nutrition Grants are based on number of meals served at MDE-approved rate; not total expenditures incurred. Utilize monthly reimbursement requests to determine total amount of federal expenditures
 - Non-cash commodities are also required to be reported. USDA provides Planned Assistance Level reports that detail out the total value of commodities provided. MDE requires break out of bonus commodities.



PAL REPORT

USDA Food Distribution Recipient Entitlement Balance Report School Year 2020-2021

Print Date: 07/02/2021

Distributor: GLC-BR

FINAL

Sponsor Agreement Number

	Processed	Brown Box	(Proc+BB) Total	DoD	Total	Balance	(Bonus)
July	1,504.12	0.00	1,504.12	0.00	1,504.12	102,324.17	0.00
August	0.00	0.00	0.00	0.00	0.00	102,324.17	0.00
September	3,095.42	2,755.82	6,451.24	4,063.60	10,514.84	91,809.33	100.48
QTD (1)	5,199.54	2,755.82	7,955.36	4,063.60	12,018.96		100.48
October	5,492.54	4,196.84	9,689.38	16,297.80	25,987.18	65,822.15	515.11
November	2,980.23	461.69	3,441.92	7,180.80	10,622.72	55,199.43	0.00
December	3,917.74	186.50	4,104.24	11,403.05	15,507.29	39,692.14	0.00
QTD (2)	12,390.51	4,845.03	17,235.54	34,881.65	52,117.19		515.11
January	4,879.54	1,841.37	6,720.91	21,032.55	27,753.46	11,938.68	0.00
February	2,589.66	65.98	2,655.64	15,375.05	18,030.69	-6,092.01	0.00
March	3,176.90	0.00	3,176.90	19,021.25	22,198.15	-28,290.16	0.00
QTD (3)	10,648.10	1,907.35	12,555.45	55,428.85	67,982.30		0.00
April	2,043.65	0.00	2,043.65	15,527.85	17,571.50	-45,861.66	0.00
May	1,460.09	0.00	1,460.09	18,624.48	20,084.57	-65,946.23	0.00
June	500.64	0.00	500.64	5,013.40	5,514.04	-71,460.27	0.00
QTD (4)	4,004.38	0.00	4,004.38	39,165.73	43,170.11		0.00
Total Distribution	32,240.53	9,508.20	41,748.73	133,539.83	175,288.56	-71,460.27	615.59

Entitlement Dollars: \$ 103,828.29 (280,617 Meals @ 0.3700 Meal Rate)

	Single Bank	Brown Box	DoD	Total
Entitlement	-45,679.91	9,508.20	140,000.00	103,828.29
Distributions	32,240.53	9,508.20	133,539.83	175,288.56
Balance	-77,920.44	0.00	6,460.17	-71,460.27
% Usage	-70.58	100.00	95.39	168.83
Carryover/GiveAway	0.00	0.00	0.00	0.00
Reallocated Balances	100,765.66	0.00	0.00	100,765.66
Adjusted Balance	22,845.22	0.00	6,460.17	29,305.39



Activity #1 – Commodities



SEFA Preparation Considerations

2. Federal Funds / Payments In-Kind Received

- Grants advanced vs. reimbursed:
 - “Payments Received” column will show full amount received in FY24
 - “Accrued Revenue” column will be negative for unspent advances, equal to the amount of unearned revenue
- Grant Auditor Report (GAR) should be used when preparing the SEFA. Reconcile total receipts back to the GAR. There could be timing differences
- BEWARE...program names and ALN numbers on GAR (especially for newer emergency relief grants) may be inaccurate/inconsistent. Reference back to your Grant Award Notification (GAN)



Grant Auditor Report

Grant Auditor Report

7/1/2021 - 6/30/2022

ISD

Grant #	Project #	Project End Date	Allocation	Approved	Paid During Date Range	Cumulative Payments	Balance Approved-Cumulative	Final Expenditure Report?
10.553 '								
Seamless Summer Option (SSO) - Breakfast								
211971	1221		\$0.00	\$102,000.00	\$102,000.00	\$102,000.00	\$0.00	None
221971	122		\$0.00	\$140,000.00	\$140,000.00	\$140,000.00	\$0.00	None
221971	222		\$0.00	\$132,000.00	\$132,000.00	\$132,000.00	\$0.00	None
221971	322		\$0.00	\$80,000.00	\$80,000.00	\$80,000.00	\$0.00	None
221971	422		\$0.00	\$142,000.00	\$142,000.00	\$142,000.00	\$0.00	None
221971	522		\$0.00	\$108,000.00	\$108,000.00	\$108,000.00	\$0.00	None
221971	622		\$0.00	\$150,000.00	\$150,000.00	\$150,000.00	\$0.00	None
221971	722		\$0.00	\$155,000.00	\$155,000.00	\$155,000.00	\$0.00	None
221971	822		\$0.00	\$190,000.00	\$190,000.00	\$190,000.00	\$0.00	None
221971	922		\$0.00	\$97,000.00	\$97,000.00	\$97,000.00	\$0.00	None
Total for 10.553			\$0.00	\$1,296,000.00	\$1,296,000.00	\$1,296,000.00	\$0.00	
10.555 '								
Seamless Summer Option (SSO) - Lunch								
211951	1221		\$0.00	\$225,444.04	\$225,444.04	\$225,444.04	\$0.00	None



SEFA Preparation Considerations

3. Accrued (Deferred) Revenue and Total

1. Need to reconcile amounts accrued/deferred for each individual award back to your SEFA
 - Accrued represents amounts spent in excess of amounts received
 - Deferred represents amounts received in excess of amounts spent
2. Reconciliation of total federal source revenue to total federal expenditures reported on the SEFA
 - For MI K12 Districts, this reconciliation is required to be included in your Single Audit report
 - Examples of reconciling items:
 - Beneficiary/contractor amounts properly recorded as federal for FID, but not subject to single audit
 - Unavailable revenue for any amounts not received within the 90-day allowability window



Revenue/Expenditure Recognition

Chapter 7 of the GAS and Single Audits AICPA Guide

Table 7-1

Basis for Determining When Federal Awards Are Expended	
<i>Federal Awards</i>	<i>Basis for Determining When Expended</i>
Grants, cost reimbursement contracts, compacts with Indian tribes, cooperative agreements under the Federal Acquisition Regulations (FAR) , and direct appropriations	When the expenditure or expense transactions occur
Amounts passed through to subrecipients	When the disbursement is made to the subrecipient
Loan and loan guarantees	When the loan proceeds are used by the nonfederal entity (See the further discussion on loan and loan guarantees in table 7-2 and paragraph 7.34.)
Donated property, including donated surplus property	When the property is received
Food commodities	When the food commodities are distributed or consumed
Interest subsidies	When amounts are disbursed entitling the entity to the subsidy
Insurance	When the insurance is in force
Endowments	When federally restricted amounts are held
Program income	When received or used



Revenue/Expenditure Recognition

- When and how do I recognize pre-award expenditures as federal/include them on the SEFA?
 - The “award letter” date is what triggers recognition of allowable expenditures as federal, regardless of when they were incurred
 - Grant Award Notification (GAN) – date of ORIGINALLY ISSUED GAN
 - FEMA – considered awarded when in “Obligated” status
 - If award letter was received subsequent to the fiscal year in which expenditures were incurred, this will result in delay of when expenditures are recognized as federal
 - Once award letter is received, expenditures incurred in previous fiscal year(s) should be reclassified to federal and reported on the SEFA, but still separately identified



Revenue/Expenditure Recognition

- If funds are received in advance of when they are earned (eligible expenditures have been incurred, and/or other specified criteria), the payments must be recorded as unearned revenue at 6/30/24
- May lead to additional “mismatch” of expenditures being incurred/revenues being recognized/expenditures being reported on SEFA (similar to treatment of ESSER I and/or CRF in prior years)
- Could inhibit ability to accurately estimate FY24 federal expenditures prior to late June



Program Classification and Grouping

- Grants with same ALN must be added together for purposes of single audit major program determination/SEFA presentation
 - Education Relief Fund (ESF) grants
 - 84.425C – All GEER grants (GEER I, some section 23 components) +
 - 84.425D – All ESSER grants (I, II, III, formula, equity) =
 - 84.425 – Total Education Relief Fund expenditures reported on SEFA

ESF is NOT a cluster!



Cluster Reporting – Part 5 of the Compliance Supplement

Common Clusters for K12:

SNAP Cluster

USDA	10.551	Supplemental Nutrition Assistance Program (SNAP)
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Child Nutrition Cluster

USDA	10.553	School Breakfast Program (SBP)
	10.555	National School Lunch Program (NSLP)
	10.556	Special Milk Program for Children (SMP)
	10.559	Summer Food Service Program for Children (SFSPC)
	10.582	Fresh Fruit and Vegetable Program (FFVP)

Special Education Cluster (IDEA)

ED	84.027	Special Education—Grants to States (IDEA, Part B)
	84.173	Special Education—Preschool Grants (IDEA Preschool)

Head Start Cluster

93.356	Head Start Disaster Recovery from Hurricanes Harvey, Irma, and Maria
93.600	Head Start

Medicaid Cluster

HHS	93.775	State Medicaid Fraud Control Units
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778	Medical Assistance Program (Medicaid; Title XIX)

Snip from 2023 Compliance Supplement. 2024 CS expected to be released in May. No changes to clusters expected.



Activity #2 – Grant Walkthrough



Activity #3 – Reconciliation of Basic Financial Statement Federal Revenue with the SEFA



Discussion

Common “problems” in SEFA preparation



SEFA Preparation – Keys to Success

1. Start with prior year accrued/deferred revenue
2. Tie-out federal expenditures to GL detail for each individual grant
3. Utilize third-party resources during preparation (GAR, award letters, ISD payment reports, etc.)
4. Perform your own reconciliation of total federal expenditures on the SEFA to total federal revenue reported on your year-end trial balance
5. Reconcile current year accrued/deferred revenue to your year-end trial balance
6. Double check 😊



Questions?



Thank you!