

# The ABC's of Your Single Audit

PRESENTED BY

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Partner



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# Jennifer Watkins, CPA

- Principal
- Expertise – Education, Single Audit
- Leader of the Education Services Group and the Audit team
- Over 18 years of experience in auditing and consulting with school districts
- Member of Michigan Dept. of Education’s (MDE) 1022 Accounting Manual and Audit Referent Group (A-133)
- Member of the Michigan School Business Officials and various Regional School Business Officials
- Presenter at MSBO conferences, MASB Annual Conference, MACPA Governmental Accounting & Auditing Conference and various firm trainings (external/internal)

## Group Leader



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# Overview of Subjects

- Two main topics today
  - How to prepare your Schedule of Expenditures of Federal Awards and other necessary schedules
  - Common Findings from monitoring visits

# Requirements

- For fiscal years ending 6/30/24, if the district has \$750,000 or more in federal expenditures a single audit is required

SEFA



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# SEFA

- **Schedule of Expenditures of Federal Awards**
  - **Must include all federal financial assistance**
    - Grants
    - Loan guarantees
    - Direct appropriations
    - Interest subsidies
    - Other

# SEFA

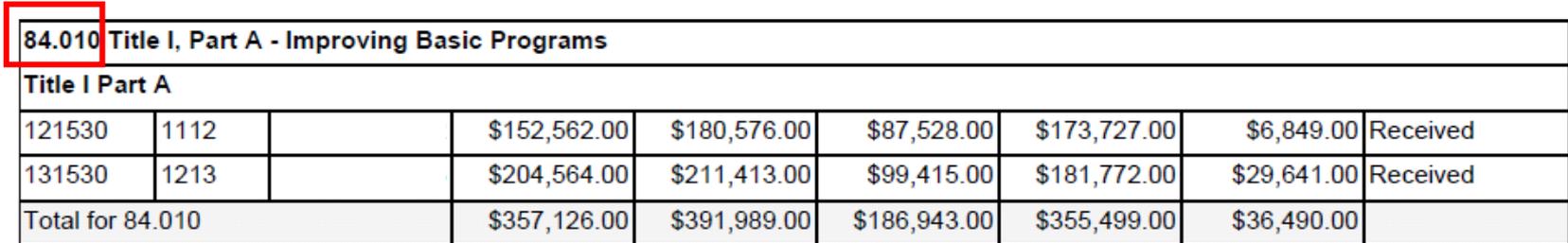
- Each award must included the following:
  - Approved grant amount
    - Grant Agreement or Grant Award letter or
    - Grant Auditor’s Report for MDE grants

84.010 Title I, Part A - Improving Basic Programs							
Title I Part A			Allocation	Approved	Paid in Range	Cumulative	Balance
121530	1112		\$152,562.00	\$180,576.00	\$87,528.00	\$173,727.00	\$6,849.00 Received
131530	1213		\$204,564.00	\$211,413.00	\$99,415.00	\$181,772.00	\$29,641.00 Received
Total for 84.010			\$357,126.00	\$391,989.00	\$186,943.00	\$355,499.00	\$36,490.00



# SEFA

- Each award must included the following:
  - CFDA # (Catalog of Federal Domestic Assistance Number)
    - Grant Agreement/Award letter or
    - Grant Auditor’s Report for MDE grants or
    - County Subrecipient Schedule (ISD)



84.010 Title I, Part A - Improving Basic Programs								
Title I Part A								
121530	1112		\$152,562.00	\$180,576.00	\$87,528.00	\$173,727.00	\$6,849.00	Received
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# SEFA

- Each award must included the following:
  - CFDA # (Catalog of Federal Domestic Assistance Number)
    - If you are unable to locate it the previous ways, you can look it up  
<https://sam.gov/content/home>
    - Type in the grant name or key word and it will locate the corresponding CFDA Number

# SEFA

- Each award must included the following:
  - Project Number and/or source code
    - Look at grant document or
    - NexSys - Grant Auditor's Report for MDE grants or
    - County Subrecipient Schedule (ISD)

84.010 Title I, Part A - Improving Basic Programs								
Title I Part A								
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# SEFA

- Each award must included the following:
  - Inventory and accrued or unearned revenue as of July 1, 2023
    - Accounts receivable
    - Occasionally, unearned revenue
    - Typically this amount comes directly off the prior year SEFA

# SEFA

- Each award must included the following:
  - Prior years cumulative actual expenditures from federal sources
    - Typically this amount comes directly off the prior year SEFA
    - Includes prior year(s) for a specific award (may span more than one year)

# SEFA

- Each award must included the following:
  - Current year cash or payment in-kind received from federal sources
    - Includes commodities
    - Grant Auditor’s Report for MDE grants or
    - County Subrecipient Schedule (ISD) or
    - Actual receipts (general ledger or request for reimbursement)

84.010 Title I, Part A - Improving Basic Programs								
Title I Part A			Allocation	Approved	Paid in Range	Cumulative	Balance	
121530	1112		\$152,562.00	\$180,576.00	\$87,528.00	\$173,727.00	\$6,849.00	Received
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Total for 84.010			\$357,126.00	\$391,989.00	\$186,943.00	\$355,499.00	\$36,490.00	



# SEFA

- Each award must included the following:
  - Current year actual expenditures from federal sources
    - Includes commodities
    - Amount per General Ledger for the fiscal year
    - Revenues = Expenditures

# SEFA

- Each award must included the following:
  - Inventory and accrued or unearned revenue as of June 30, 2024
    - Accounts receivable
    - Occasionally, unearned revenue
    - Use final cash requests/reimbursements and/or final expenditure reports

# SEFA

- Each award must included the following:
  - Adjustments as necessary
    - All must be explained in the Footnotes to the SEFA
    - Common adjustments
      - Rounding
      - Deobligation of Funds
      - Expenses recorded in previous year

# Schedule of Expenditures of Federal Awards

- All grants should be classified by program and classified by the federal department that administers that program (Example- US Department of Education)
- Also, each grant should state whether it is Direct or Flow-through and what the flow-through agency is, if applicable (Example-ISD)
- Clusters must be identified

# Schedule of Expenditures of Federal Awards

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2023	Prior Year Expenditures	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Unearned) Revenue at June 30, 2024
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Title I							
<b>Passed Through the Michigan Department of Education</b>							
Title I	84.010						
121530-1112		180,576	66,484	152,683	87,528	21,044	-
131530-1213		211,413	-	-	99,415	160,728	61,313
Total Title I		391,989	66,484	152,683	186,943	181,772	61,313



# SEFA Checks

- Items to ensure accuracy
  - Foot/Crossfoot
  - PY Accrued/Unearned Revenue ties to PY SEFA
  - $PY\ AR + CY\ Expenditures - CY\ Receipts = CY\ AR$
  - Total Federal Expenditures per SEFA should tie to total Federal Revenue per Financial Statements
    - May need to include, Schedule of Reconciliation of Revenues with Expenditures for Federal Award Programs

# SEFA Reconciliation

- Schedule of Reconciliation of Revenues with Expenditures for Federal Award Programs
  - Transfers
  - Timing issues (60 day rule)
  - Classification Differences
  - Timing (on GAR but not received by the District before 6/30)

# SEFA Reconciliation

- Schedule of Reconciliation of Revenues with Expenditures for Federal Award Programs

**ABC COMMUNITY SCHOOLS**  
**Schedule of Reconciliation of Revenue**  
**with Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

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Revenue from federal sources - per basic financial statements, all funds	\$ 1,095,000
Accounts receivable recognized on the Schedule of Expenditures of Federal Awards and not on the Financial statements	15,000
Deobligation of prior year payments recaptured in the current year (see notes to Schedule of Expenditures of Federal Awards)	<u>4,750</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 1,114,750</u></u>



# SEFA Notes

- Describe accounting policies
- Description of Adjustments, if any
- Management's utilization of GAR
  - All differences between the District's SEFA and GAR and/or ISD (if any) must be described in the notes
  - Include reason, project number, CFDA number and amount

# SEFA Notes

## Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2024.
3. The federal amounts reported on the CMS Grant Auditor Report (GAR) and Macomb Intermediate School District Schedule of Federal Financial Assistance Provided to Subrecipients are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The total expenditures on the Schedule of Expenditures of Federal Awards equal the federal revenues on the financial statements.

# Other Schedules

- Schedule of Federal Awards Provided to Subrecipients
- Schedule of Findings and Questioned Costs
- Each finding must have a Management's Response (Corrective Action Plan)
  - Specific/action oriented
  - District's comments for each finding
  - Corrective steps that have already taken place, if any
  - The steps that will be taken and target dates
  - Plan for monitoring the adherence to the plan
  - Contact person
  - Date funds mailed back to MDE, if necessary
- Summary Schedule of Prior Audit Findings

# Common Audit Issues



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# Common Audit Issues

- Excess Fund Balance
- Calculation
  - Total program costs (Less capital outlay)
  - Divided by nine (9) months and
  - Multiplied by three (3) months
  - Calculates Allowable Fund Balance
    - \* Compare to
  - Ending Fund Balance in the NSFSA (6/30)
- Auditor Note – Typically - Noncompliance – written management comment
- However, in rare cases this issue could move to a “finding” if certain issues persist, for example internal control issues, complete disregard for compliance requirements, or improper SKE over federal programs
- SFA submit plan of action to MDE

# Common Audit Issues

- Excess Fund Balance –
  - MDE issues some guidance to spend down

## ALLOWABLE COSTS

- ✓ Improve Food Quality (quantify)
- ✓ Invest in the Breakfast Program
- ✓ Eliminate the Reduced Meal Price
- ✓ Food Service Equipment
- ✓ Kitchen or Serving Line Renovations
- ✓ Cafeteria Renovations (shared cost)
- ✓ Cafe Tables and Chairs (shared cost)
- ✓ Refresh Smallwares
- ✓ Point of Sale (POS) Systems
- ✓ Hire Additional Food Service Staff or Increase Wages (predetermined)
- ✓ Food Transport Van/Truck
- ✓ Ask MDE about other Allowable Items

## UNALLOWABLE COSTS

- × Transferring funds out of the NFSA
- × Costs that Benefit Non-Food Service Programs
- × Additional square footage for kitchen or cafeteria expansions
- × Infrastructure Costs
- × Contingency Fees
- × Security Cameras/Systems
- × Public Announcement Systems
- × Air Conditioning
- × Land Acquisition
- × Ask MDE about other Unallowable Items

# Common Audit Issues

- ESSER funds – Davis-Bacon Act/ Wage Rate Requirement violations
  - Compliance Requirement: use ESF funds for minor remodeling, renovation or construction contracts that are over \$2,000 and use laborers and mechanics must meet Davis-Bacon prevailing wage requirements.
- Test-
  - Verify required prevailing wage rate clauses were included in the contract
  - For each week in which work was performed under the contract, verify that the contractor submitted the required certified payrolls.

# Common Audit Issues

- ESSER funds –
- Davis-Bacon Act/ Wage Rate Requirement violations
  - See many issues
    - Specifically with HVAC
    - Or security cameras/system
  - Check with you contractors, they may have complied
  - Could lead to Noncompliance and or Finding (Significant Deficiencies/Material Weakness)
  - Questioned Costs – pay back of funds

# Audit Alert Preview

- ESSER-
  - SBITAs paid with ESSER grant funds have to have a subscription ending **on or before 9/30/2024**
  - Otherwise MDE is considering the funds not properly obligated and a period of availability issue.
  - Therefore- any prepayments of SBITAs should NOT be charged to ESSER for subscriptions that last beyond 9/30/2024.

# Audit Alert Preview

- ESSER-
  - Meaningful consultation and plan for the use of funds is supposed to be updated **every six months** during the entire award period, not just when funds are spent. MDE is focusing on this through June 30<sup>th</sup> as there have been several budget amendments districts have submitted, but not everyone is updating the continuity of services plan every six months.

# Common Audit Issues

- UBAA compliance Issues
  - MDE specifies that Material violations of the UB & AA should be included as findings in the audit report. They list as examples:
    - General Fund Deficits
    - Over expending the budget authorized by the legislative body
  - MDE is reviewing budget to actual for General Fund Only.
    - Looking at total revenues, expenditures and financing sources (uses) instead at a line by line level.
- Auditor Note--- reminder to update Special Revenue budgets by 6/30

# Questions?

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