

2014 Governmental Accounting and Auditing Update

Continuing Professional Education
North Carolina Office of the State Controller*

Date:	June 3, 2014 8:15 a.m. to 4:40 p.m.
Location:	The McKimmon Conference and Training Center N.C. State University 1101 Gorman Street, Raleigh, NC 27606
Objective:	To provide an update of recent activities of the Governmental Accounting Standards Board (GASB) and current auditing topics, including grants management reform, internal controls (new COSO model and GAO Green Book), and recent auditing standards.
Content:	<u>Accounting Standards Update (6 CPE Hours)</u> <ul style="list-style-type: none">– GASB 63, Reporting Deferred Outflows/Inflows of Resources and Net Position– GASB 65, Items Previously Reported as Assets and Liabilities– GASB 66, Technical Corrections – 2012– GASB 67, Financial Reporting for Pension Plans – Overview– GASB 68 and 71, Accounting and Financial Reporting for Pensions; AICPA Pension White Papers and Interpretations– GASB 69, Government Combinations and Disposals of Government Operations– GASB 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees– GASB Due Process Documents and Technical Agenda– Sources of Guidance and Standards <u>Current Auditing Issues (2 CPE Hours)</u> <ul style="list-style-type: none">– SAS 128, Using the Work of Internal Auditors– Internal Controls (New COSO Model and GAO Green Book)– Grants Management Reform (Changes to Federal Grant Guidance)
Instructors:	Gerry Boaz, CPA, CGFM, Technical Manager, Tennessee Division of State Audit Jerry Durham, CPA, CGFM, CFE, Assistant Director, Tennessee Division of Local Government Audit
CPE Credit Offered:	8 hours
Materials:	Will be available in advance on the OSC web page
Teaching Method:	Lecture
Lunch:	12:00 p.m. – 1:00 p.m.
Prerequisites:	Employed by a State agency or institution that is part of the State financial reporting entity (i.e., an entity included in the State's Comprehensive Annual Financial Report)
Advance Preparation:	None
Level:	Basic

* Click the following links for additional information about the [NC Office of the State Controller](#), the sponsor of this program, and the [Tennessee Comptroller of the Treasury](#), the developer of this program.



AGENDA

Governmental Accounting and Auditing Update

June 3, 2014

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- 8:15 – 8:20 Call to Order – Terri Noblin, Office of the State Controller
Accounting and Financial Reporting Manager
- 8:20 – 8:30 Opening Remarks – Dr. Linda Combs, State Controller
Introductions – Terri Noblin, Office of the State Controller
- Accounting Standards Update (Gerry Boaz, Tennessee Division of
State Audit and Jerry Durham, Tennessee Division of Local
Government Audit)**
- 8:30 – 10:00 Statement 63 – Financial Reporting of Deferred Outflows/Inflows of
Resources and Net Position
Statement 65 – Items Previously Recognized as Assets and Liabilities
Statement 66 – Technical Corrections—2012—an amendment of
Statements No. 10 and No. 62
- 10:00 – 10:20 Break
- 10:20 – 12:00 Statement 67 – Financial Reporting for Pension Plans – Overview
Statements 68 and 71– Accounting and Financial Reporting for Pensions
AICPA Pension White Papers and Interpretations
- 12:00 – 1:00 Lunch
- 1:00 – 2:40 Statement 69 – Government Combinations and Disposals of
Government Operations
Statement 70 – Accounting and Financial Reporting for Nonexchange
Financial Guarantees
Proposed Accounting Standards Update
- 2:40 – 3:00 Break
- Current Auditing Issues (Gerry Boaz, Tennessee Division of State
Audit and Jerry Durham, Tennessee Division of Local Government
Audit)**
- 3:00 – 4:40 Auditing Standards Update – SAS 128
Internal Controls – New COSO Model and GAO Green Book
Grants Management Reform – Update: Changes to Federal Grant
Guidance
- Closing Remarks – Terri Noblin, Office of the State Controller
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Jerry E. Durham, CPA, CGFM, CFE
Technical Manager
State of Tennessee
Division of County Audit

Jerry is technical manager for the State of Tennessee, Comptroller of the Treasury, Division of County Audit. The division has statutory responsibility for audits of county governments in Tennessee. A 25-year veteran of the division, Jerry has served as an auditor, audit supervisor, training instructor, and technical manager. Jerry is a Certified Public Accountant, Certified Government Financial Manager (CGFM) and a Certified Fraud Examiner (CFE). As technical manager for the division, he is responsible for developing professional compliance procedures and monitoring the division's performance under GASB, AICPA, OMB, and GAO accounting and auditing standards. He recently led the committee responsible for implementing Statements on Auditing Standards 104 through 111 for the Division of County Audit. Jerry's current assignments include assisting the Division of County Audit and local governments in implementing the American Recovery and Reinvestment Act. In addition, Jerry teaches two training classes for the Tennessee Department of Audit. He has served the National State Auditors Association External Peer Review program as a reviewer and serves as a field reviewer for the GFOA's Certificate of Achievement for Excellence in Financial Reporting program.

Jerry was a partner in the accounting firm of Crosthwaite Durham and Associates. He also served as controller for Rural Healthcare of America, Inc., and taught accounting as a member of the adjunct faculty for Columbia State Community College.

Jerry received his accounting degree from the University of Tennessee at Martin. He is a member of the Association of Government Accountants and the Association of Certified Fraud Examiners.

Jerry is married and has three children and one grandchild.

Gerry Boaz, CPA, CGFM
Technical Manager
Tennessee Division of State Audit

Gerry has been with the Tennessee Comptroller of the Treasury, Division of State Audit, since January 1995. He is a Certified Public Accountant and a Certified Government Financial Manager (CGFM). He was a Legislative State Auditor for five years before becoming State Audit's Technical Manager. As the Technical Manager, he is primarily responsible for monitoring GASB, FASB, AICPA, OMB, and GAO professional and compliance standards relating to financial statement and financial-related audits. He reviews financial statement audits for adherence to the above principles and standards, as well as to AICPA auditing standards. He serves as a representative of the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) by observing and writing an account of the Governmental Accounting Standards Board (GASB) meetings. He served as a six-year (two three-year terms during 2004-2009) member of the Government Finance Officers Association's (GFOA) Committee on Accounting, Auditing, and Financial Reporting (CAAFR) and Special Review Committee for its certificate of achievement program. He also represents State Audit on the National State Auditors Association's Auditing Standards and Reporting (ASRC) as Vice-Chair and Single Audit committees. He is also an active member in the Association of Government Accountants (AGA). He was the president of the Nashville AGA chapter for the 2006-07 program year. He currently is serving on AGA's Professional Certification Board for a three-year term.

He has a BA degree in accounting with a German minor from Murray State University (MSU) in Murray, KY. He is a 1994 graduate of MSU. He is married to Melissa Boaz. He enjoys playing softball and golf.



- Gerry Boaz, CPA, CGFM
 - Technical Manager
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Gerry Boaz, CPA, CGFM

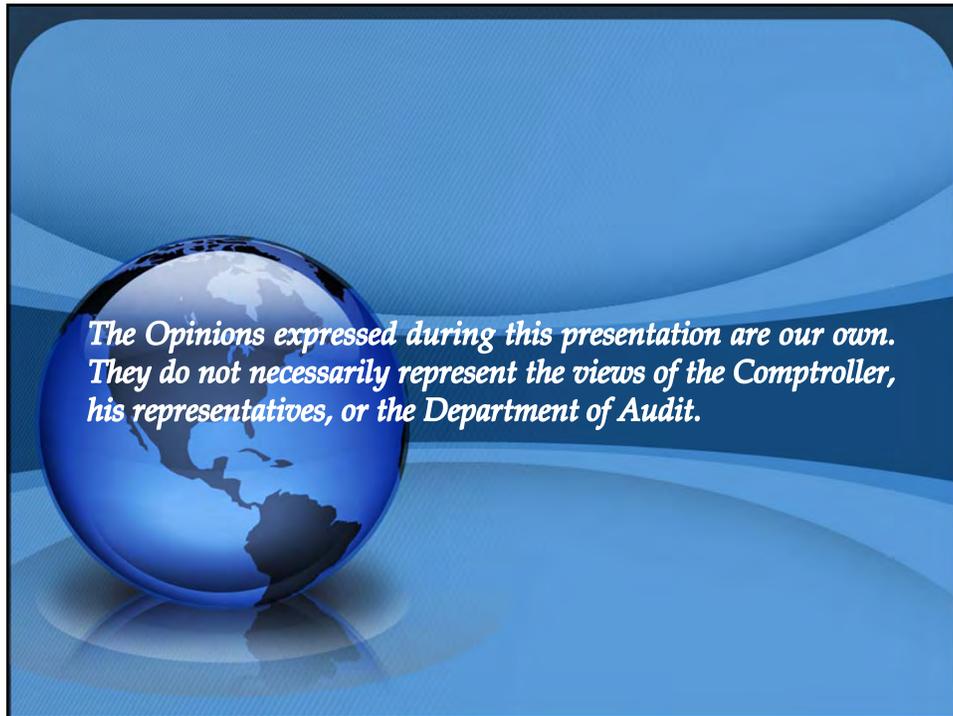
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Jerry E. Durham, CPA, CGFM, CFE

- *Jerry is an Assistant Director for the State of Tennessee, Comptroller of the Treasury, Division of Local Government Audit. The division has statutory responsibility for audits of local governments in Tennessee. A 29-year veteran of the division, Jerry has served as an auditor, audit supervisor, training instructor, technical manager, and assistant director. Jerry is a Certified Public Accountant (CPA), Certified Government Financial Manager (CGFM), and a Certified Fraud Examiner (CFE). In his role as assistant director, he is responsible for developing professional compliance procedures and monitoring the division's quality performance under GASB, AICPA, OMB, and GAO accounting and auditing standards. Jerry also has responsibility for the supervising the contract review process within the division. Most recently, Jerry assisted the division in implementing the new Clarity Standards. In addition, Jerry teaches training classes for the Tennessee Department of Audit (Yellow Book and Audit Findings) and has made training presentations for several other professional organizations including the Tennessee Society of Certified Public Accountants; Tennessee Government Finance Officers Association; National Association of State Auditors, Comptrollers and Treasurers; Association of Government Accountants; County Technical Assistance Service; Southeastern Intergovernmental Audit Forums, and various county official's associations. He has served the National State Auditors Association External Peer Review program as a reviewer, team leader, and concurring reviewer and serves on the Special Review Committee for GFOA's Certificate of Achievement for Excellence in Financial Reporting program. Jerry has also provided training for the New York City Comptroller's Office and state auditors in Kentucky, Minnesota, North Dakota, Idaho, and North Carolina. In addition to these duties, Jerry currently serves on the state's Interagency Cash Flow Committee which operates under the authority of the Tennessee State Funding Board.*
- *Jerry was a partner in the accounting firm of Crosthwaite Durham and Associates. He also served as controller for Rural Healthcare of America, Inc., and taught accounting as a member of the adjunct faculty for Columbia State Community College and Austin Peay State University.*
- *Jerry received his accounting degree from the University of Tennessee at Martin. He is a member of the American Institute of Certified Public Accountants (AICPA); the Association of Government Accountants (AGA) where he serves as chair of the CGFM committee for the Nashville chapter; the Tennessee Government Finance Officers Association (TGFOA) where he serves as state liaison to the Board of Directors; and the Association of Certified Fraud Examiners (ACFE). Jerry is also a graduate from the Tennessee Government Executive Institute (TGEI) which is a training program for government leaders through the University of Tennessee.*
- *Jerry is married and has three children and two grandchildren.*

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Your presenters

- Two of the best singer songwriters ever to go into accounting!

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GASB Standards

- Effective for FYE 6/30/14:
 - GASB 65, Items Previously Reported as Assets and Liabilities
 - GASB 66, Technical Corrections
 - GASB 67, Financial Reporting for Pension Plans
 - GASB 70, Accounting and Reporting for Nonexchange Financial Guarantees
- Effective for FYE 6/30/15:
 - GASB 68, Accounting and Financial Reporting for Pensions
 - GASB 69, Government Combinations and Disposals of Government Operations
 - GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date

GASB Concept Statement # 4 and Beyond

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GASB Concept Statement # 4

- Concepts Statements
 - GASB Currently has 6 Concept Statements
 - No. 1 Objectives of Financial Reporting
 - No. 2 Service Efforts and Accomplishments Reporting
 - No. 3 Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements
 - No. 4 Elements of Financial Statements
 - No. 5 Service Efforts and Accomplishments Reporting (an amendment of Concept Statement No. 2)
 - No. 6 Measurement of Elements of Financial Statements

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GASB Concept Statement # 4

- Concepts Statements
 - Provide GASB with a framework to evaluate existing standards and for establishing future standards.
 - Helpful to accountants and auditors to know how GASB thinks.
 - Existing practice and pronouncements may be inconsistent with Concept Statements (they are)
 - No changes are required by Concept Statements (i.e non-authoritative as they relate to financial reporting)

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GASB Concept Statement # 4

- Concept Statement #4 identifies five elements of statements of financial position.
 - Assets
 - Liabilities
 - Deferred Outflows of Resources
 - Deferred Inflows of Resources
 - Net Position

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GASB Concept Statement # 4

- Concept Statement #4 also identifies two elements of resources flows statements.
 - Outflows of resources (expenses/expenditures)
 - Inflows of resources (revenues)
- The names of these elements are neutral with respect of measurement focus and do not necessarily reflect account titles that must be used in financial statements.

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GASB Concept Statement # 4

- Central to all the definitions is a “resource”.
 - Resource: An item that can be drawn on to provide services to the citizenry.

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GASB Concept Statement # 4

- Definitions
 - Asset = resources with present service capacity that the government presently controls.
 - 1980 GAAFR Definition
 - Resources owned or held by a government which have monetary value.

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GASB Concept Statement # 4

- Definitions
 - Liability = a present obligation to sacrifice resources that the government has little or no discretion to avoid
 - An Obligation is a social, legal, or moral requirement (i.e. duty, contract, promise that compels one to follow or avoid a particular course of action)
 - 1980 GAAFR Definition
 - Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date.

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GASB Concept Statement # 4

- Definitions
 - Outflow of resources = a consumption of net assets (i.e. assets netted with liabilities) by the government that is applicable to the reporting period)
 - Consumption means a decrease in assets or increase in liabilities such that net assets is decreased
 - 1980 GAAFR Definition
 - Expenditure – Decreases in net financial resources.

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GASB Concept Statement # 4

- Definitions
 - Inflow of resources = an acquisition of net assets by the government that is applicable to the reporting period.
 - Applicable to the reporting period relates to the concept of Interperiod Equity
 - Interperiod Equity is the state in which current period inflows of resources equal current period costs of services (Paragraph 27)

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GASB Concept Statement # 4

- Definitions
 - Deferred Outflows of Resources = a consumption of net assets by the government that is applicable to a future period.
 - Deferred Inflow of Resources = an acquisition of net assets by the government that is applicable to a future reporting period.
 - Recognition of Deferred Outflows and Inflows should be limited to those instances identified by GASB in authoritative pronouncements.

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GASB Concept Statement # 4

- Definitions
 - Did you feel the ground shift just a little as we read the definitions of Deferred Outflows and Inflows?
 - Are Deferred Outflows (DR) and Inflows (CR) Assets or Liabilities???
 - Any balance that is not specifically defined by GASB as a Deferred Outflow or Inflow should be presented as we currently present deferred items. For example, prepaid rent (DR) or Grant Advances (CR)
 - **However, GASB suggests (Paragraph 59) that the caption “deferred revenue” would be best reserved for items that meet the definition of deferred inflows of resources.**

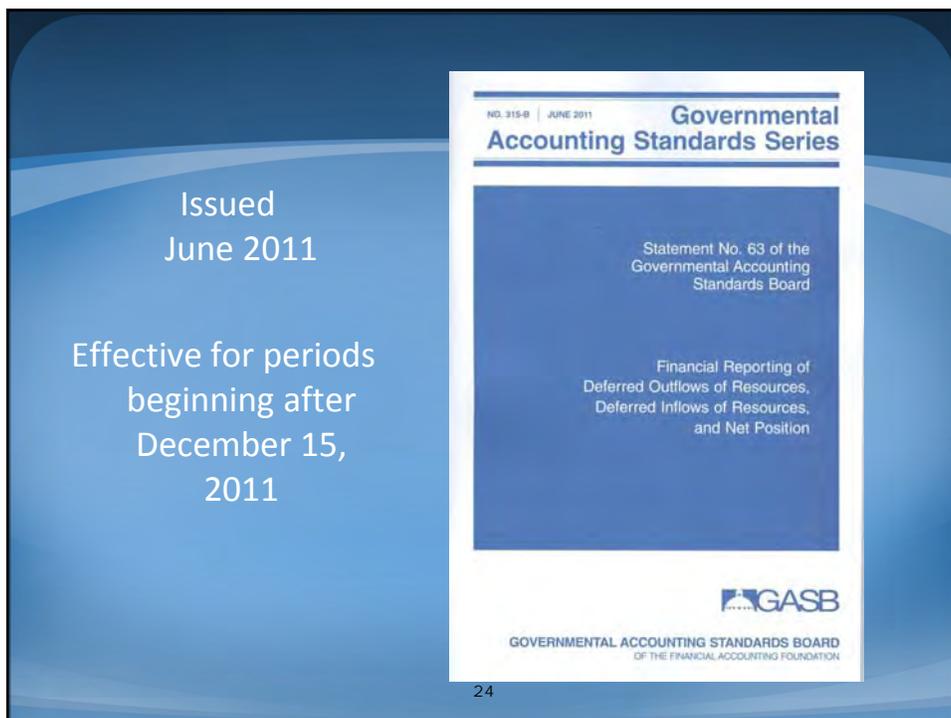
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GASB Concept Statement # 4

- GASB is, by Concept Statement #4 and other Proposed Concept Statements, – Changing the definitions of Assets, Liabilities, Inflows and Outflows, and the face of our Financial Statement Models, as well as our measurement focus for financial statements that are presented on the current financial resources measurement focus (Governmental Funds)

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Statement of Net Position

Objectives of the project:

- To operationalize the introduction of the deferred inflows of resources and deferred outflows of resources financial statement elements through display guidance
- To consider the effects of these changes on other elements presented in the existing statement of net assets
- Will determine what amendments, if any, should be made to the requirements of Statement No.34

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Background

- Concepts Statement 4 identifies 5 elements that make up a statement of financial position:
 - Assets
 - Liabilities
 - Deferred outflows of resources
 - Deferred inflows of resources
 - Net position
- This differs from the composition currently required by Statement 34, which requires the presentation of assets, liabilities, and net assets in a statement of financial position
- Statements 53 and 60 identify deferrals of resources

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Definitions

➤ Deferred outflows of resources

A consumption of net assets by the government that is applicable to a future reporting period.

- Has a natural debit balance and, therefore, a positive effect on net position, similar to assets

➤ Deferred inflows of resources

➤-An acquisition of net assets by the government that is applicable to a future reporting period.

- Has a natural credit balance, and therefore, a negative effect on net position, similar to liabilities

➤ Net position

- The residual of all elements presented in a statement of financial position

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Provisions

➤ Deferred outflows should be reported in a separate section following assets

➤ Similarly, deferred inflows should be reported in a separate section following liabilities

➤ Net position components resemble net asset components under Statement 34, but include the effects of deferred outflows and deferred inflows

- Net investment in capital assets
- Restricted
- Unrestricted

➤ Allowed to report subtotals for:

- Combination of assets and deferred outflows of resources, and
- Combination of liabilities and deferred inflows

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Financial Statement Reporting Format

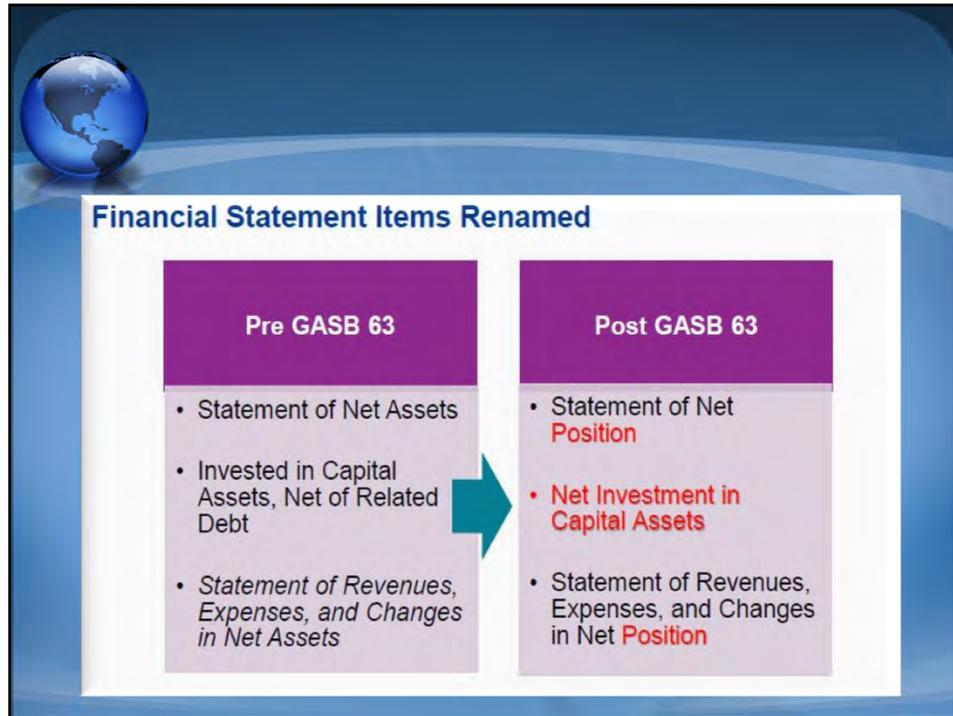
- Economic Resources Measurement Focus
 - Preferred reporting format is: assets + deferred outflows – liabilities – deferred inflows = net position
 - Traditional balance sheet format is permitted: assets + deferred outflows = liabilities + deferred inflows + net position

- Governmental Fund Financial Statements
 - Required reporting format is: assets + deferred outflows = liabilities + deferred inflows + fund balance

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Statement of Net Position				
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 11,712,829	\$ 10,516,820	\$ 22,229,649	\$ 303,935
Investments	29,250,291	64,575	29,314,866	7,428,952
Derivative instrument—rate swap	1,040,482		1,040,482	
Receivables (net)	11,792,660	9,699,615	15,492,265	4,942,290
Internal balances	313,768	(313,768)		
Inventories	322,149	126,674	448,823	83,697
Equity interest in joint venture	2,303,256		2,303,256	
Capital assets:				
Land, improvements, and construction in progress	28,435,025	6,408,150	34,843,175	751,239
Other capital assets, net of depreciation	141,587,735	146,513,065	288,100,800	36,993,547
Total capital assets	170,022,760	152,921,215	322,943,975	37,744,786
Total assets	226,758,185	166,925,131	393,683,316	49,603,660
DEFERRED OUTFLOWS				
Accumulated decrease in fair value of hedging derivatives		127,520	127,520	
LIABILITIES				
Accounts payable and accrued expenses	7,538,543	659,592	8,198,135	1,803,332
Advances from grantors	1,435,599		1,435,599	38,911
Forward contract		127,520	127,520	
Long-term liabilities:				
Due within one year	9,236,000	4,426,286	13,662,286	1,426,639
Due in more than one year	83,302,378	74,482,273	157,784,651	27,106,151
Total liabilities	101,512,520	79,695,671	181,208,191	30,375,033
DEFERRED INFLOWS				
Accumulated increase in fair value of hedging derivatives	1,040,482		1,040,482	
NET POSITION				
Net investment in capital assets	103,711,386	79,088,574	182,799,960	15,906,392
Amounts Restricted for:				
Transportation and public works	10,655,737		10,655,737	
Debt service	3,076,829	1,451,996	4,528,825	
Housing and community redevelopment	6,845,629		6,845,629	
Other purposes	1,483,387		1,483,387	492,445
Unrestricted Amounts (deficit)	(1,567,785)	6,816,410	5,248,625	2,829,790
Total net position	\$ 124,205,183	\$ 87,356,980	\$211,562,163	\$ 19,228,627

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Effective Date

- Effective for financial statements for periods beginning after December 15, 2011
- Earlier application is encouraged
- Accounting changes adopted to conform to the provisions of the Statement should be applied retroactively by reclassifying the statement of net position and balance sheet information, if practical, for all prior periods presented.
- In the period this statement is first applied, the financial statements should disclose the nature of any reclassification and its effect

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The image shows the cover of a document from the Governmental Accounting Standards Board (GASB). The cover is white with blue accents. At the top left, it says "NO. 324-A | MARCH 2012" and "Governmental Accounting Standards Series". The main title is "Statement No. 65 of the Governmental Accounting Standards Board" followed by "Items Previously Reported as Assets and Liabilities". At the bottom, there is the GASB logo and the text "GOVERNMENTAL ACCOUNTING STANDARDS BOARD OF THE FINANCIAL ACCOUNTING FOUNDATION". To the right of the cover, the text "Statement 65" and "Items Previously Reported as Assets and Liabilities" is displayed in white on a blue background.

Changes Considered

- Effect on assets
 - Continue to report as assets
 - Reclassify as deferred outflows
 - Treat as current period expenditure/expense
- Effect on liabilities
 - Continue to report as liabilities
 - Reclassify as deferred inflows
 - Treat as inflow of current period

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Reclassify as deferred inflows

- Advance of revenue from imposed nonexchange transaction
- Grants received in advance of meeting timing requirement
- Deferred amounts from refunding of debt (credits)
- Proceeds from sale of future revenues
- “Regulatory” credits

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Reclassify as deferred inflows

[continued]

- Deferred gain from sale-leaseback
- “Unavailable” revenue related to the application of modified accrual accounting
- Loan origination fees (excluding points) for mortgage loans held for resale prior to sale

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Reclassify as deferred inflows

[continued]

- Loan origination fees for points for lending activities and mortgage loans held for investment
- Resources generated by current rates intended to recover costs that are expected to be incurred in the future (regulated industries)
- Gains or other reductions of net allowable costs intended to reduce rates over future periods (regulated industries)

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Deferred Outflows of Resources

- Grant paid in advance of meeting timing requirement
- Deferred amounts from refunding of debt (debits)
- Cost to acquire rights to future revenues (intra-entity)
- Loss from sale-leaseback

Outflows of Resources

- Debt issuance costs (other than insurance)
- Initial costs incurred by lessor in an operating lease
- Acquisition costs for risk pools
- Loan origination costs

Treat as current inflows

- Loan origination fees (excluding points) related to lending activities
- Commitment fees realized upon exercise or expiration of commitment
- Commitment fees charged (with obligation to make or acquire a loan or to satisfy an obligation when exercise is considered remote)

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Treat as current inflows [continued]

- Fees received for purchased loans
- Loan origination fees (excluding points) for mortgage loans held as investments
- Loan origination fees (including points) for mortgage loans held for resale after sale

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Treat as current inflows [continued]

- Fees realized after the funding of mortgage loans has occurred or after commitment to guarantee the funding of mortgage loans expires
- Fees realized when a commitment is arranged directly between a permanent investor and a borrower

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Continue to report as assets

- Prepayments
- Capitalized incurred costs for regulated activities
- Net pension plan position in excess of employer's total liability
- Cable TV initial subscriber installation costs

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Continue to report as liabilities

[continued]

- Commitment fees (with the obligation to make or acquire a loan)
- Fees to guarantee funding of mortgage loans
- Fees to arrange commitment directly between permanent investor and borrower
- Refunds imposed by a regulator

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Continue to report as liabilities

- In General, any payment received in advance that would have to be refunded to a customer if service was not performed, is a liability.

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Other Items

- Criteria for determining major funds will include deferred items
- Use of the term “deferred” limited to deferred outflows and deferred inflows

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- Which of the following could properly be described as deferred revenue ?
- A. Unearned rental income
- B. Advance related to an expenditure-driven grant
- C. Property taxes collected in advance of year being funded
- D. All of the above
- E. None of the above



- How should bond issuance costs be classified?
- A. Asset
- B. Outflow of resources
- C. Either A or B



- If a fund is legally designated as a special revenue fund, but must be reported as part of the general fund pursuant to GAAP, how should its budgetary comparison be presented?
- A. Integral part of general fund budget
- B. Treated as special revenue fund in combining and individual fund statements
- C. No budgetary comparison required



*GASB 66, Technical Corrections –
2012—an amendment of GASB
Statements No. 10 and No. 62*

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Objective of this project

- Resolve conflicting accounting and financial reporting guidance that resulted from the issuance of GASB 54 and GASB 62 impacting:
 - GASBs 10, 13, and 48.
 - Effective for periods beginning after December 15, 2012.
 - Early application is encouraged.

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GASB 10 Amendments

- Removes the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type.
- As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in GASB 54 and GASB 34.

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Provisions of GASB 62

- Deletes requirement in GASB 10 that requires an entity's risk-financing activities be accounted for in either the general fund or an internal service fund.
- With new fund definitions in GASB 54, it is possible that such activities would meet the definition of a special revenue fund.

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Provisions of GASB 62 (cont.)

- Deletes language in GASB 62 regarding the following:
 - A provision that does not permit the fair value method for recording expenses associated with an operating lease that varies from a straight-line basis as provided for in GASB 13,
 - The reporting of the purchase of loans that could be perceived as in conflict with GASB 48, and
 - Guidance for adjustments to a sales price of a mortgage loan when the stated service fee rate differs from the current (normal) servicing fee rate. The deleted language conflicts with provisions in GASB 48.

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The Opinions expressed during this presentation were our own. They do not necessarily represent the views of the Comptroller, his representatives, or the Department of Audit.



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69

GASB 69
Government Combinations and
Disposals of Government
Operations



Effective Date
July 1, 2014 to June 30, 2015
Earlier Application is Encouraged



Project Objectives

- Consider the financial reporting requirements for government combinations that are accomplished through mergers, acquisitions, and transfers of operations
 - Addresses government’s unique conditions and circumstances
- Analysis of government combinations that have taken place in both the general government area (ex. city/county consolidations), and the business type activities area (ex. healthcare organizations)
- Address certain spin-off issues (ex. A library district that was formerly a department in a primary government) – a transfer of operations

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Existing Guidance

- Accounting Principles Board (APB) Opinion No. 16, *Business Combinations*
 - This guidance was never intended for the public sector and its application to the public sector has proven to often be problematic.
 - Addresses conditions and circumstances that are not normally encountered in government combinations
- Because this separate project was on the Board's agenda, did not incorporate into Statement 62

63

Scope

- Combinations in which NO consideration is provided
 - Government mergers
 - Transfers of operations
- Combinations in which consideration is provided
 - Government acquisitions
- Disposals of government operations

64

Government Combinations

- To be considered a government combination, the arrangement should result in the **continuation of a substantial portion of the services provided** by the previously separate entities or their operations after the transaction has occurred.
 - Terms of arrangement usually establish whether service continuation was intended
 - If not, professional judgment should be used
- This distinguishes a combination from a contribution or purchase of assets and related liabilities

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Overall Approach

- The requirements distinguish between government combinations that involve significant (or lack) of financial consideration
 - **Government merger**—combinations of legally separate entities *without* the exchange of significant consideration
 - **Government acquisitions**—transactions in which a government acquires another entity, or its operations, in exchange for the payment of significant consideration
- Combinations not involving entire legally separate entities and in which no significant consideration is exchanged (shared service arrangements, reorganizations, redistricting, annexations, arrangements where an operation is transferred to a new government created to provide those services) – **transfer of operations**

66

Government Mergers

- Government combination of legally separate entities in which insignificant or no financial consideration is exchanged and which includes one of the following:
- An entirely new government is formed (A+B=C) OR
 - 2 or more governments (or one or more governments and one or more nongovernmental entities) cease to exist as legally separate entities and are combined to form one or more new governments
 - Merger date is the date the combination becomes effective
 - Initial reporting period of the new government begins on the merger date
 - The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the merging entities would be recognized and measured in the statement of net position at their “carrying value” as of the merger date

67

Government Mergers

- If the merging entities decide before the merger date to dispose of capital assets and the new government will use those capital assets until the disposal occurs
 - Capital assets should be measured and reported at their carrying values by the new government
- If the new government will not use the capital assets that have been identified for disposal or if the merging entities decide before the merger date that the manner or duration of use of capital assets will change
 - Capital assets should be evaluated for impairment in accordance with provisions of Statement 42, as amended to determine if the carrying values should be adjusted

68

Government Mergers

- A single continuing government remains (A+B=B+)
 - 1 or more legally separate governments or nongovernmental entities cease to exist and their operations are absorbed into, and provided by, one or more continuing governments
 - Merger date is the beginning of the reporting period in which the combination occurs, (as though the entities were already combined as of that date) regardless of the actual date of the merger
 - The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the merging entities would be measured in the statement of net position at their “carrying value” as of the merger date

69

Government Mergers

- If the merging entities decide before the actual date of the merger to dispose of capital assets of the dissolving government but the continuing government will use those capital assets until the disposal occurs
 - Capital assets should be measured and reported at their carrying values by the continuing government
- If the continuing government plans to dispose of the capital assets that it will not use or if decisions are made before the actual date of the merger that the manner or duration of use of specific capital assets of the dissolving government will change
 - Capital assets should be evaluated for impairment in accordance with provisions of Statement 42, as amended

70

Government Acquisitions

- Acquisition date is the date the acquiring government obtains control of the acquired entity's assets or becomes obligated for its liabilities or its operations (typically when consideration is paid)
- Assets and liabilities normally would be recorded at their acquisition value as of the acquisition date – price that would be paid for acquiring similar assets, having similar service capacity, or discharging the liabilities assumed as of the acquisition date
- Deferred outflows of resources and deferred inflows of resources should be brought forward at their carrying values

71

Government Acquisitions

- Consideration Given:
 - If exceeds the net position acquired, the difference would be treated as a deferred outflow of resources
 - Attributed to future periods in a systematic and rational manner, based on professional judgment
 - If net position exceeds the consideration given
 - Considered a contribution – if the seller accepted the lower amount for the purpose of providing an economic benefit to the acquiring government
 - If not – the difference would be eliminated by reducing the acquisition values assigned to noncurrent assets (other than investments reported at fair value).
 - If the difference exceeded the acquisition value of all noncurrent assets (other than investments reported at fair value), the remainder would be treated as a special item in the flows statement.

72

Transfers of Operation

- Government combination involving the operations of a government or nongovernmental entity, rather than a combination of legally separate entities, and in which no significant consideration is exchanged.
 - Operation-an integrated set of activities with associated assets and liabilities that is conducted and managed for the purpose of providing identifiable services.

73

Transfers of Operations

- Entered into for similar reasons as government mergers
- Transfer date is the date the transferee government obtains control of the acquired operation's assets or becomes obligated for its liabilities.
 - If the transfer of operations results in the formation of a new government – the new government's initial reporting period begins at the effective transfer date
 - If the transfer of operations results in a continuing government – the continuing government should report the transfer as a transaction in the financial statements for the reporting period in which it occurs

74

Transfers of Operations

- Assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the transferred operation would be incorporated at their carrying value as of the effective transfer date

75

Disposals of Government Operations

- The disposing government would report a special item for any gain or loss on the disposal of operations in the period in which the disposal occurs, based on either
 - Effective transfer date of the transfer of operations, or
 - The date of sale for operations that are sold

76

Disclosures

- The following disclosures are required for all government combinations:
 - Brief description of the combination that
 - Identifies the entities involved and the primary reasons for the combination
 - Mentions whether the entities combined were part of the same financial reporting entity
 - Discloses the date of the combination
- Additional disclosures for
 - Mergers and transfers of operations
 - Acquisitions
 - Disposals of Operations

77

Effective Date and Transition

- Effective for financial statements for periods beginning after December 15, 2013
- Applied prospectively
- Earlier application is encouraged

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- Which of the following would qualify as a government combination ?
- A. Merger
- B. Acquisition
- C. Transfer of operations
- D. All of the above
- E. Both A and B



- A government combination always involves
- A. At least one entity losing its separate legal identity
- B. The creation of a new legal entity
- C. Both A and B
- D. None of the above



- Which of the following always involves the exchange of significant consideration?
- A. Merger
- B. Acquisition
- C. Transfer of operations
- D. All of the above
- E. Both A and B



- Which of the following is a precondition for a transfer of operations?
- A. The operation must provide identifiable services with associated assets or liabilities
- B. The transferred operation must continue to provide the same services
- C. There must be a significant exchange of consideration
- D. All of the above
- E. Both A and B



- If a merged entity is absorbed into a continuing government, when does reporting begin?
- A. As of the merger date
- B. As of the start of the merging government's fiscal period
- C. Either A or B



- An entity obtains a capital asset through a merger. It intends to dispose of the asset eventually, but meanwhile plans to use it. When would the entity need to assess whether a capital asset impairment had occurred?
- A. When the capital asset is first obtained
- B. At the time of disposal



- In an acquisition, how should financial statement elements be measured?
- A. Fair value
- B. Acquisition value
- C. Disposal value
- D. Either A or B



- Acquisition value is based on
- A. Historical entry price
- B. Historical exit price
- C. Market-based entry price
- D. Market-based exit price



- Deferred outflows/inflows of resources in a merger are
- A. Always reported at carrying value
- B. Normally reported at carrying value
- C. Sometimes reported at carrying value
- D. Never reported at carrying value



- Consideration includes
- A. Assets remitted
- B. Liabilities incurred
- C. Both A and B



- In an acquisition, how should a disparity between the amount of consideration given and the net position acquired be treated?
- A. Deferred outflow of resources
- B. Contribution
- C. Reduction in amount reported for noncurrent assets
- D. Special item
- E. All of the above



- Acquisitions within the financial reporting entity may involve some assets being reported at carrying value rather than at acquisition value.
- A. True
- B. False

Government dissolution (Z.69.1)

- Situation
 - Government dissolves
 - Operations form basis for new government
 - No significant consideration
- ☐ Question
 - Treatment?
- ☐ Answer
 - Transfer of operations
- ☐ Not a merger because only one existing entity is involved
- ☐ Transferor government does not have to continue to exist

Merger impairment (Z.69.2)

- Situation
 - Township merges into village
 - Some capital assets of township will not be used by village
- ☐ Question
 - How to report impairment?
- ☐ Answer
 - Disclosure only
- ☐ Carrying value prior to merger
- ☐ Impairment adjustment
- ☐ Explanation





GASB 70
Accounting and Financial
Reporting for Nonexchange
Financial Guarantees

Effective Date
July 1, 2013 to June 30, 2014
Earlier Application is Encouraged

GASB 70,
Nonexchange Financial Guarantees

- “Nonexchange” Transaction
 - A transaction where one party to the transaction does not receive equal or approximately equal value in exchange.
- Financial Guarantee
 - A government guarantees the obligations of another government. The Guarantor government commits to indemnify the holder of the obligation if the Debtor government does not fulfill its payment requirements. No cash at origination.

GASB 70, Nonexchange Financial Guarantees

- Guarantee for Legally Separate Entity
- Includes:
 - Discretely Presented Component Units
 - Blended Component Units
 - And Individuals

GASB 70, Nonexchange Financial Guarantees

- Liability
 - Record a liability when the Guarantor Government determines that **“more likely than not”** a payment under the Financial Guarantee Contract will be made.
 - **“More likely than not” = greater than 50% (i.e. 51%).**
 - **“More likely than not” is more than probable which is defined as “likely to occur”. Significantly greater than 50%. (GASB 62)**

GASB 70, Nonexchange Financial Guarantees

- Qualitative Liability Recognition Factors:
 - Initiation of Bankruptcy or Financial Reorganization Proceedings
 - Breach of debt contract - default or delinquency in making debt payments, failure to meet covenants, etc.
 - Indicators of significant financial difficulty (cont'd)

GASB 70, Nonexchange Financial Guarantees

- Qualitative Liability Recognition Factors:
 - Significant Financial Difficulty (cont'd)
 - Failure to make payments to paying agents or trustees on a timely basis
 - Drawing on a reserve fund to make payments
 - Intercepting receipts to make payments
 - Debt holder concessions
 - Significant investment losses
 - Loss of a major revenue source
 - Increase in operating expenditures
 - Supervision by another government

GASB 70, Nonexchange Financial Guarantees

- Economic Resources Measurement Focus:
 - Record Expense and Fund Liability
 - Discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee, **or**
 - If that estimate is not possible, and a range of future outflows can be established, use the best estimate within the range **or** the minimum amount in that range.

GASB 70, Nonexchange Financial Guarantees

- Current Financial Resources Measurement Focus:
 - Record Expenditure and Liability
 - To the extent the liability is normally expected to be liquidated with expendable available financial resources.
 - Payments are due and payable.

GASB 70, Nonexchange Financial Guarantees

- The Debtor government may be required by contract to repay the Guarantor government for payments under the guarantee.
 - Reclassify the debt payments made by the guarantor as a liability due to the Guarantor.
 - The liability should continue to be recognized until legally released such as in bankruptcy court, then the Debtor government should recognize a **revenue** when the liability is written-off.

GASB 70, Nonexchange Financial Guarantees

- A **receivable** should be recognized by the Debtor government **when a liability has been recognized** by the Guarantor government if the Guarantor government is one of the following:
 - A Blended component unit of the government.

GASB 70, Nonexchange Financial Guarantees

- A receivable should be recognized if (continued):
 - A primary government that includes the government that extended the guarantee as a blended component unit within its reporting entity.
 - Within the same reporting entity and both parties are blended component units of the same primary government.

GASB 70, Nonexchange Financial Guarantees

- A receivable should be recognized if (continued):
 - **Otherwise a decrease in Net Position would occur because two liabilities would be presented for the same (i.e. related) obligation.**

GASB 70, Nonexchange Financial Guarantees

- Disclosures:
 - Disclosures for the government that extends nonexchange financial guarantees.
 - Disclosures for the government that has recognized a nonexchange financial guarantee liability or made payments.
 - Disclosures for the government that has received the nonexchange financial guarantees.
 - Disclosures for the government that has received payments under a financial guarantee and the guaranteed obligation is no longer outstanding.

GASB 70, Nonexchange Financial Guarantees

- Transactions that do not constitute a financial guarantee:
 - Pledges of Revenue (GASB 48)
 - Joint-and-Several Obligations
 - Obligations that are not legal obligations
 - Exchange or Exchange-like transactions

GASB 70, Nonexchange Financial Guarantees

- Jerry's believe it or not!
 - Assume the Guarantor government has made payments under a financial guarantee?
 - Assume the Guarantor government expects to receive repayment of some or all of the payments made under the guarantee.
 - Should the Guarantor government record a receivable. (Guidance is included in GASB 62, paragraph 112 for gain contingencies.)
 - No. Note disclosure only. Conservative approach.

GASB 70, Nonexchange Financial Guarantees

- Jerry's believe it or not!
 - Assume the Guarantor government and has groups of similar guarantees?
 - Student loan guarantees, or perhaps housing loans.
 - The Guarantor has determined a historical rate of failure for these types of loan guarantees. In other words, the historical rate is "more likely than not" to remain accurate and occur.
 - Should a liability should be recorded.
 - Yes.

GASB 70, Nonexchange Financial Guarantees

- Jerry's believe it or not!
 - There was one dissenting GASB Board member.
 - She believed that "Probable" (i.e. more than likely) was adequate for this standard.
 - She disagreed with adding another level or probability under the "more likely than not" category.



- At a minimum, a financial guarantee involves
- how many parties?
 - A. Two
 - B. Three
 - C. Four



- Guarantors should recognize a liability when
- the likelihood of making payments is
- A. Reasonably possible
- B. More likely than not
- C. Probable



- When should an issuer cease to report a guaranteed obligation?
- A. When it is probable that payments will be made by the guarantor
- B. When it is more likely than not that payments will be made by the guarantor
- C. When the issuer is legally released as an obligor by the guarantor
- D. None of the above



- When should a guarantor report an expenditure for a guarantee in a governmental fund?
- A. When it is probable that payments will be made by the guarantor
- B. When it is more likely than not that payments will be made by the guarantor
- C. When the issuer is legally released as an obligor by the guarantor
- D. None of the above



- If a guarantor reports a liability because payment is considered to be more likely than not, the issuer should
- A. Always recognize a receivable
- B. Sometimes recognize a receivable
- C. Never recognize a receivable



- How should an issuer report its legal release
- as an obligor on guaranteed debt?
- A. Reclassification
- B. Revenue
- C. Either A or B

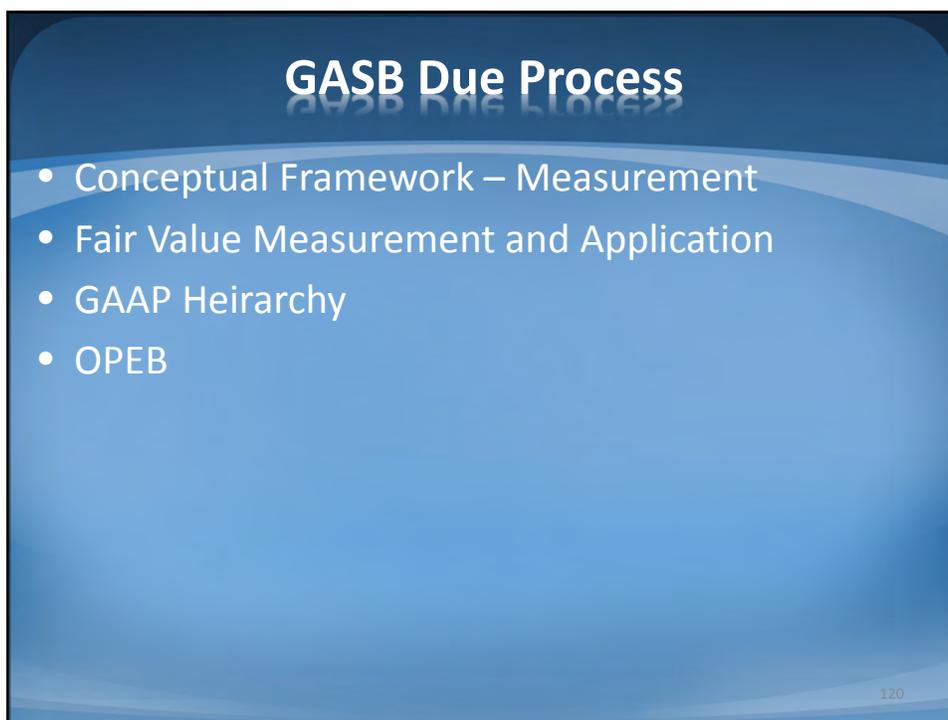


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GASB Technical Agenda

- Economic Condition Reporting: Financial Projections
- Fiduciary Responsibilities
- Leases
- Asset Retirement Obligations
- Blending Requirements for Certain BTAs
- Financial Reporting Model Reexamination
- Irrevocable Charitable Trusts

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**State of North Carolina
Office of State Controller
Current Auditing Issues
June 3, 2014**

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1 28

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- THIS SAS DEFINES THE CONDITIONS NECESSARY FOR AN EXTERNAL AUDITOR TO BE ABLE TO USE THE WORK OF INTERNAL AUDITORS (**IA**)
- IT ALSO DEFINES THE AMOUNT OF EFFORT REQUIRED BY THE EXTERNAL AUDITOR TO DEMONSTRATE THAT SUFFICIENT APPROPRIATE AUDIT EVIDENCE HAS BEEN OBTAINED FROM USING THE WORK OF THE **IA**
- THE STANDARD WAS DESIGNED TO PREVENT OVER OR UNDUE USE OF THE **IA'S** WORK

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- DOES NOT APPLY IF THE ENTITY DOES NOT HAVE AN INTERNAL AUDIT (**IA**) FUNCTION
- DOES NOT APPLY IF THE **IA** FUNCTION RESPONSIBILITIES AND ACTIVITIES ARE NOT RELEVANT TO THE AUDIT
- DOES NOT APPLY IF, AS A RESULT OF THE RISK ASSESSMENT PROCESS, THE EXTERNAL AUDITOR DOES NOT EXPECT TO USE THE WORK OF THE **IA** FUNCTION
- NOTHING IN THE STANDARD **REQUIRES** THE EXTERNAL AUDITOR TO USE THE WORK OF THE **IA** (WHETHER DIRECT OR INDIRECT – ALREADY PERFORMED)
- NOTHING IN THE STANDARD **REQUIRES** THE EXTERNAL AUDITOR TO USE THE WORK OF THE **IA** TO PERFORM “DIRECT TESTING PROCEDURES

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- EXTERNAL AUDITOR MAY BE ABLE TO USE THE INTERNAL AUDIT FUNCTION (**IA**) DEPENDING ON:
 - LEVEL OF COMPETENCE OF **IA**
 - WHETHER THE **IA'S** ORGANIZATIONAL STATUS AND RELEVANT POLICIES AND PROCEDURES ADEQUATELY SUPPORT THE OBJECTIVITY OF THE **IA**
 - WHETHER THE **IA** FUNCTION APPLIES A SYSTEMATIC AND DISCIPLINED APPROACH, INCLUDING QUALITY CONTROL

7

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- TWO WAYS TO USE THE **IA** FUNCTION:
 - TO OBTAIN AUDIT EVIDENCE FROM PROCEDURES ALREADY PERFORMED BY THE **IA** THAT MODIFIES THE NATURE, TIMING, OR EXTENT OF NORMAL AUDIT PROCEDURES (I.E. INDIRECT)
 - TO OBTAIN AUDIT EVIDENCE BY PROVIDING DIRECT ASSISTANCE UNDER THE DIRECTION, SUPERVISION, AND REVIEW OF THE EXTERNAL AUDITORS
- UNDER EITHER APPROACH, THE **EXTERNAL AUDITOR** IS SOLELY RESPONSIBLE FOR THE AUDIT OPINION EXPRESSED
- THE EXTERNAL AUDITOR SHOULD COMMUNICATE TO THOSE CHARGED WITH GOVERNANCE HOW THE EXTERNAL AUDITOR PLANS TO USE THE WORK OF THE **IA** (DIRECT ASSISTANCE OR INDIRECT PROCEDURES)

8

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- THE EXTERNAL AUDITOR SHOULD USE LESS OF THE IA'S WORK:
 - WHEN MORE JUDGEMENT IS INVOLVED IN THE PROCEDURE OR EVALUATING THE RESULTS OF THE PROCEDURE PERFORMED BY **IA**
 - THE HIGHER THE ASSESSED RISK OF **MATERIAL MISSTATEMENTS** OR WHEN "SIGNIFICANT" RISKS ARE INVOLVED (DEFINE)
 - WHEN THE ORGANIZATIONAL STATUS OF THE **IA** FUNCTION PRESENTS EVIDENCE OF A LACK OF OBJECTIVITY
 - THE LOWER THE LEVEL OF COMPETENCE OF THE **IA** FUNCTION
- THE EXTERNAL AUDITOR SHOULD EVALUATE WHETHER, IN AGGREGATE, THE EXTERNAL AUDITOR HAS BEEN SUFFICIENTLY INVOLVED WITH THE WORK OF THE **IA** TO FORM AN OPINION

9

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- THE PLANNED USE OF THE **IA'S** WORK SHOULD BE DISCUSSED WITH THE **IA**
- THE EXTERNAL AUDITOR SHOULD READ THE REPORTS AND FINDINGS OF THE **IA**
- THE EXTERNAL AUDITOR SHOULD REPERFORM SOME OF THE BODY OF WORK OF THE **IA** FUNCTION
 - EXAMINE ITEMS ALREADY EXAMINED BY **IA** OR SUFFICIENT NEW ITEMS
 - NOT NECESSARY TO TEST SOME OF ALL WORK BUT REPERFORMANCE IS REQUIRED ON THE **IA'S** BODY OF WORK AS ₁₀ A WHOLE

10

SAS 128 USING THE WORK OF INTERNAL AUDITORS

- BEFORE THE CONCLUSION OF THE AUDIT, THE EXTERNAL AUDITOR SHOULD EVALUATE WHETHER THE EXTERNAL AUDITOR'S CONCLUSIONS REGARDING THE **IA** FUNCTION REMAIN APPROPRIATE
 - MAKING INQUIRIES OF APPROPRIATE **IA** PERSONNEL
 - OBSERVING PROCEDURES PERFORMED BY **IA**
 - REVIEWING **IA'S** WORK PROGRAM AND WORKING PAPERS

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- IF USING **IA'S** FOR **DIRECT** ASSISTANCE:
 - ANY THREATS TO OBJECTIVITY. ANY SAFEGUARDS?
 - SHOULD NOT USE **IA** FOR DIRECT ASSISTANCE IF:
 - LACK OF **IA** OBJECTIVITY
 - LACK OF NECESSARY COMPETENCE
 - THE EXTERNAL AUDITOR SHOULD DIRECT, SUPERVISE, AND REVIEW THE DIRECT ASSISTANCE PERFORMED BY THE **IA** FUNCTION
 - PRIOR TO USING THE **IA** TO PERFORM DIRECT ASSISTANCE, THE EXTERNAL AUDITOR SHOULD OBTAIN WRITTEN ACKNOWLEDGEMENT FROM MANAGEMENT OR THOSE CHARGED WITH GOVERNANCE, AS APPROPRIATE, THAT **IA** WILL BE ALLOWED TO FOLLOW THE EXTERNAL AUDITOR'S INSTRUCTIONS AND WILL NOT INTERVENE IN THE WORK

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- IF USING **IA'S** FOR **DIRECT** ASSISTANCE (CONT'D):
 - DIRECTION, SUPERVISION, AND REVIEW SHOULD BE RESPONSIVE TO THE EXTERNAL AUDITOR'S INITIAL RISK ASSESSMENT (I.E. OBJECTIVITY, RISK OF MATERIAL MISSTATEMENT, AMOUNT OF JUDGEMENT INVOLVED)
 - THE EXTERNAL AUDITOR SHOULD INSTRUCT THE **IA'S** TO BRING ACCOUNTING AND AUDITING ISSUES IDENTIFIED DURING THE AUDIT TO THE ATTENTION OF THE EXTERNAL AUDITOR
 - THE EXTERNAL AUDITOR SHOULD TEST SOME OF THE WORK PERFORMED BY THE **IA**
 - REMAIN ALERT FOR INDICATIONS THAT THE AUDITOR'S EVALUATIONS ARE NO LONGER APPROPRIATE

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- DOCUMENTATION:
 - RESULTS OF EVALUATION OF **IA**
 - THE WORK USED AND BASIS FOR DECISIONS
 - EVALUATION PROCEDURES INCLUDING REPERFORMANCE PROCEDURES
 - HOW THE EXTERNAL AUDITOR DECIDED HE/SHE WAS SUFFICIENTLY INVOLVED IN THE AUDIT
 - FOR DIRECT ASSISTANCE:
 - ALL THE ABOVE, PLUS
 - THREATS TO OBJECTIVITY AND SAFEGUARDS
 - INCLUDE THE WORKING PAPERS PREPARED BY THE **IA**

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- **QUIZ**
- UNDER SAS 128, AUDITORS:
 - 1. SHOULD USE THE WORK OF THE **IA** FUNCTION
 - 2. ARE REQUIRED TO USE THE WORK OF THE INTERNAL AUDIT FUNCTION
 - 3. NONE OF THE ABOVE

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- **QUIZ**
- UNDER SAS 128, AUDITORS MAY:
 - 1. OBTAIN AUDIT EVIDENCE FROM **IA** INDIRECT PROCEDURES
 - 2. OBTAIN AUDIT EVIDENCE FROM **IA** DIRECT ASSISTANCE
 - 3. TREAT **IA** AS AN AUDIT SPECIALIST
 - 4. 1 AND 2 ABOVE

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

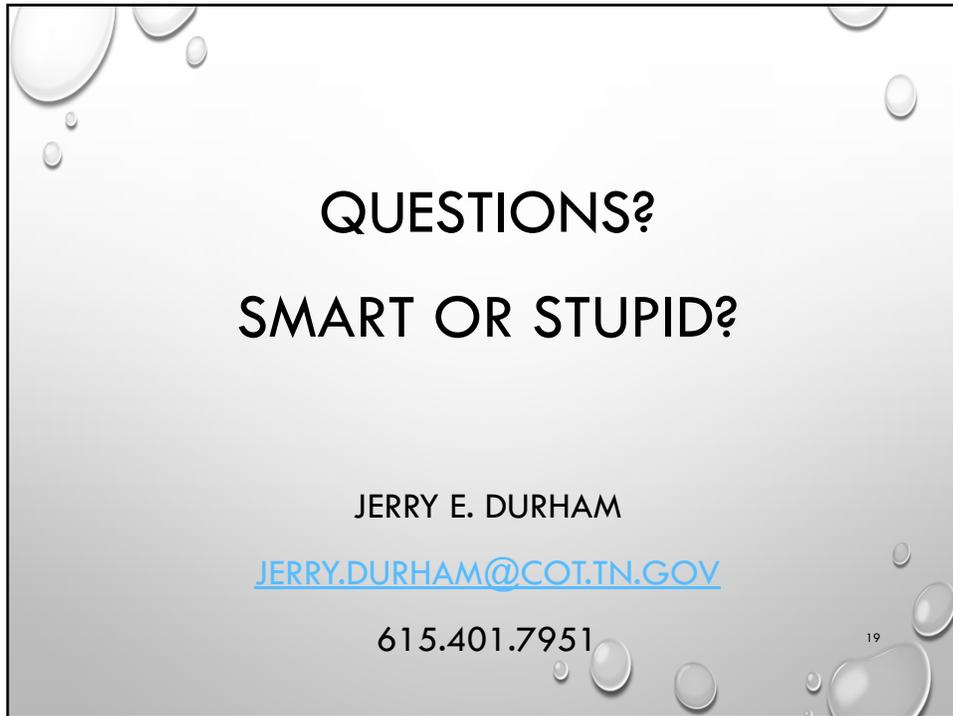
- QUIZ
- THE EXTERNAL AUDITOR SHOULD:
 - 1. REPERFORM AT LEAST 20% OF THE BODY OF WORK OF THE **IA** FUNCTION
 - 2. EXAMINE ITEMS ALREADY EXAMINED BY **IA** OR SUFFICIENT NEW ITEMS
 - 3. REPERFORM SUFFICIENT WORK ON THE **IA'S** BODY OF WORK AS A WHOLE
 - 4. ALL OF THE ABOVE.
 - 5. 2 AND 3 ABOVE.

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SAS 128 USING THE WORK OF INTERNAL AUDITORS

- QUIZ
- BEFORE THE CONCLUSION OF THE AUDIT, THE EXTERNAL AUDITOR SHOULD:
 - 1. MAKE INQUIRIES OF APPROPRIATE **IA** PERSONNEL
 - 2. OBSERVE PROCEDURES PERFORMED BY **IA**
 - 3. REVIEW **IA'S** WORK PROGRAM AND WORKING PAPERS
 - 4. OBTAIN WRITTEN REPRESENTATIONS FROM THE **IA**
 - 5. ALL OF THE ABOVE
 - 6. ALL BUT NUMBER 1
 - 7. ALL BUT NUMBER 4

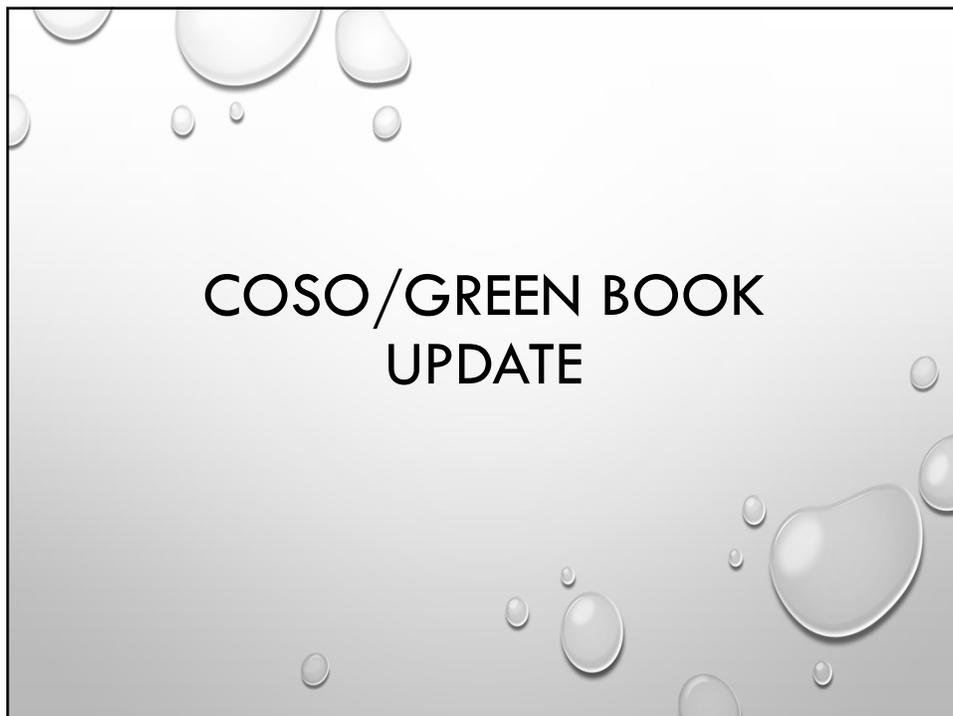
18

A decorative graphic consisting of several realistic water droplets of various sizes, scattered across the slide. The droplets are rendered with soft shadows and highlights, giving them a three-dimensional appearance. They are positioned around the text, with some near the top corners and others near the bottom corners.

QUESTIONS?
SMART OR STUPID?

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A decorative graphic consisting of several realistic water droplets of various sizes, scattered across the slide. The droplets are rendered with soft shadows and highlights, giving them a three-dimensional appearance. They are positioned around the text, with some near the top corners and others near the bottom corners.

**COSO/GREEN BOOK
UPDATE**

MISSION / GOALS OF COSO

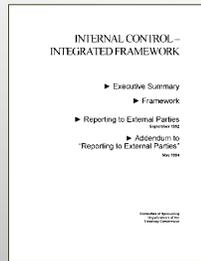
- PROVIDE THOUGHT LEADERSHIP THROUGH
 - DEVELOPMENT OF COMPREHENSIVE FRAMEWORKS
 - GUIDANCE ON ENTERPRISE RISK MANAGEMENT (ERM),
 - INTERNAL CONTROL AND FRAUD DETERRENCE
 - IMPROVE ORGANIZATIONAL PERFORMANCE AND GOVERNANCE
 - REDUCE THE EXTENT OF FRAUD IN ORGANIZATIONS



COMMON THEMES IN COSO SINCE 1992

- CONTINUOUS IMPROVEMENT ON INTERNAL CONTROL TESTING AND REPORTING
- CONTINUOUS UNDERSTANDING OF NEW RISKS IN THE ENVIRONMENT WITH REGARD TO AUDIT, TECHNOLOGY AND MANAGEMENT
- CONTINUOUS PROCESS IMPROVEMENT WITH REGARD TO CHANGES IN ORGANIZATIONAL STRUCTURE (GOOGLE DIDN'T EXIST 10 YEARS AGO)
- CONTINUOUS PROCESS IMPROVEMENT TO DETECT FRAUD
 - EACH ECONOMIC CYCLE BRINGS NEW CHALLENGES TO DETECT / DETER FRAUD

COSO – INTERNAL CONTROL PUBLICATIONS



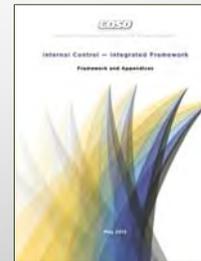
1992



2006



2009



2013

IT'S ALREADY WORKING...

- 2011 YELLOW BOOK –
 - ¶A.04 DISCUSSES THAT IN ADDITION TO THE COSO FRAMEWORK – *STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT* (AKA THE GREEN BOOK) PROVIDES DEFINITIONS AND FUNDAMENTAL CONCEPTS PERTAINING TO INTERNAL CONTROL AT THE FEDERAL LEVEL AND MAY BE USEFUL TO AUDITORS AT OTHER LEVELS OF GOVERNMENT. THE RELATED “INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL” BASED ON FEDERAL INTERNAL CONTROL STANDARDS, PROVIDES A SYSTEMATIC, ORGANIZED, AND STRUCTURED APPROACH TO ASSESSING THE INTERNAL CONTROL STRUCTURE.

IT'S ALREADY WORKING...

- 2011 YELLOW BOOK –
 - ¶A.04 DISCUSSES THAT IN ADDITION TO THE COSO FRAMEWORK – *STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT* (AKA THE GREEN BOOK) PROVIDES DEFINITIONS AND FUNDAMENTAL CONCEPTS PERTAINING TO INTERNAL CONTROL AT THE FEDERAL LEVEL AND MAY BE USEFUL TO AUDITORS AT OTHER LEVELS OF GOVERNMENT. THE RELATED “INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL” BASED ON FEDERAL INTERNAL CONTROL STANDARDS, PROVIDES A SYSTEMATIC, ORGANIZED, AND STRUCTURED APPROACH TO ASSESSING THE INTERNAL CONTROL STRUCTURE.

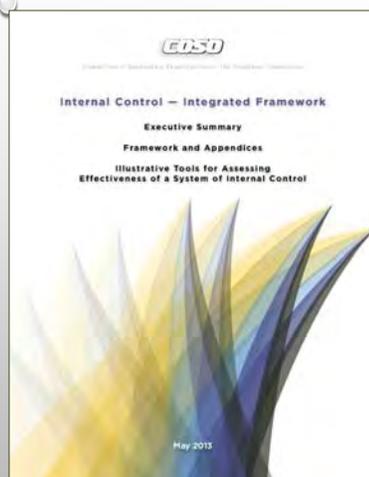
IT'S ALREADY WORKING...

- STATE OF CALIFORNIA JUST PASSED (SIGNED 10/1/13) AB 1248 (GOV.COD.§12422.5) WHICH REQUIRES INTERNAL CONTROL FRAMEWORK DEVELOPED BY SCO FOR ALL GOVERNMENTS BASED ON NEW COSO STANDARDS BY 1/1/15
 - ANY LOCAL GOVERNMENT / ORGANIZATION CAN PROVIDE INPUT ON FRAMEWORK
 - GOALS – SAFEGUARD ASSETS, PREVENT AND DETECT FINANCIAL ERRORS AND FRAUD
- TENNESSEE'S *FINANCIAL INTEGRITY ACT* OF 1983 REQUIRES AN INTERNAL CONTROL FRAMEWORK (TCA-9-18-101)
- OTHER STATES CONSIDERING, GETTING TRAINING...
- AICPA IN THE MIDDLE OF UPDATING AU-C 315, *UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT TO CONFORM TO COSO*
- *GREEN BOOK* SLATED TO BE USING IT (MORE LATER)

IMPACT

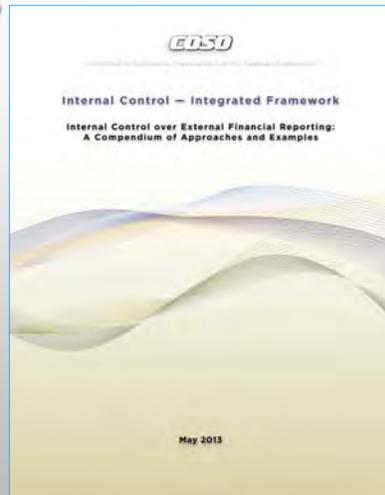
- USERS ARE ENCOURAGED TO TRANSITION APPLICATIONS AND RELATED DOCUMENTATION TO THE UPDATED FRAMEWORK AS SOON AS FEASIBLE
- **UPDATED FRAMEWORK WILL SUPERSEDE ORIGINAL FRAMEWORK AT THE END OF THE TRANSITION PERIOD (DECEMBER 15, 2014)**
- DURING THE TRANSITION PERIOD, EXTERNAL REPORTING SHOULD DISCLOSE WHETHER THE ORIGINAL OR UPDATED VERSION OF THE FRAMEWORK WAS USED
- IMPACT OF ADOPTING THE UPDATED FRAMEWORK WILL VARY BY ORGANIZATION
 - DOES YOUR SYSTEM OF INTERNAL CONTROL NEED TO ADDRESS CHANGES?
 - DOES YOUR SYSTEM OF INTERNAL CONTROL NEED TO BE UPDATED TO ADDRESS ALL PRINCIPLES?
 - **DOES THE GOVERNMENT APPLY AND INTERPRET THE ORIGINAL FRAMEWORK IN THE SAME MANNER AS COSO?**

TWO PARTS IN COSO UPDATE- PART #1 – INTERNAL CONTROL-INTEGRATED FRAMEWORK (2013 EDITION)



- CONSISTS OF THREE VOLUMES:
 - EXECUTIVE SUMMARY
 - FRAMEWORK AND APPENDICES
 - ILLUSTRATIVE TOOLS FOR ASSESSING EFFECTIVENESS OF A SYSTEM OF INTERNAL CONTROL
- SETS OUT:
 - DEFINITION OF INTERNAL CONTROL
 - CATEGORIES OF OBJECTIVES
 - COMPONENTS AND PRINCIPLES OF INTERNAL CONTROL
 - REQUIREMENTS FOR EFFECTIVENESS

**PART #2 – INTERNAL CONTROL OVER EXTERNAL FINANCIAL REPORTING:
A COMPENDIUM OF APPROACHES AND EXAMPLES**



- ILLUSTRATES APPROACHES AND EXAMPLES OF HOW PRINCIPLES ARE APPLIED IN PREPARING FINANCIAL STATEMENTS
- CONSIDERS CHANGES IN BUSINESS AND OPERATING ENVIRONMENTS DURING PAST TWO DECADES
- PROVIDES EXAMPLES FROM A VARIETY OF ENTITIES – PUBLIC, PRIVATE, NOT-FOR-PROFIT, **AND GOVERNMENT**
- ALIGNS-WITH THE UPDATED FRAMEWORK

**Internal Control–Integrated Framework
AKA – *the Rubik's Cube of COSO***

UPDATE INCREASES EASE OF USE AND BROADENS APPLICATION DUE TO MOVEMENT TO PRINCIPLES

The More Things Stay The Same...

- Core definition of internal control
- Three categories of objectives and five components of internal control
- **Each of the five components of internal control are required for effective internal control**
- Important role of judgment in designing, implementing and conducting internal control, and in assessing its effectiveness



The More Things Change....

- Changes in business and operating environments considered
- Operations and reporting objectives expanded
- Fundamental concepts underlying five components articulated as principles
- Additional approaches and examples relevant to operations, **compliance**, and **non-financial reporting objectives added**

Environment changes...

Expectations for governance oversight

- Globalization of markets and operations
- Changes and greater complexity in business

Demands and complexities in laws, rules, regulations, and standards

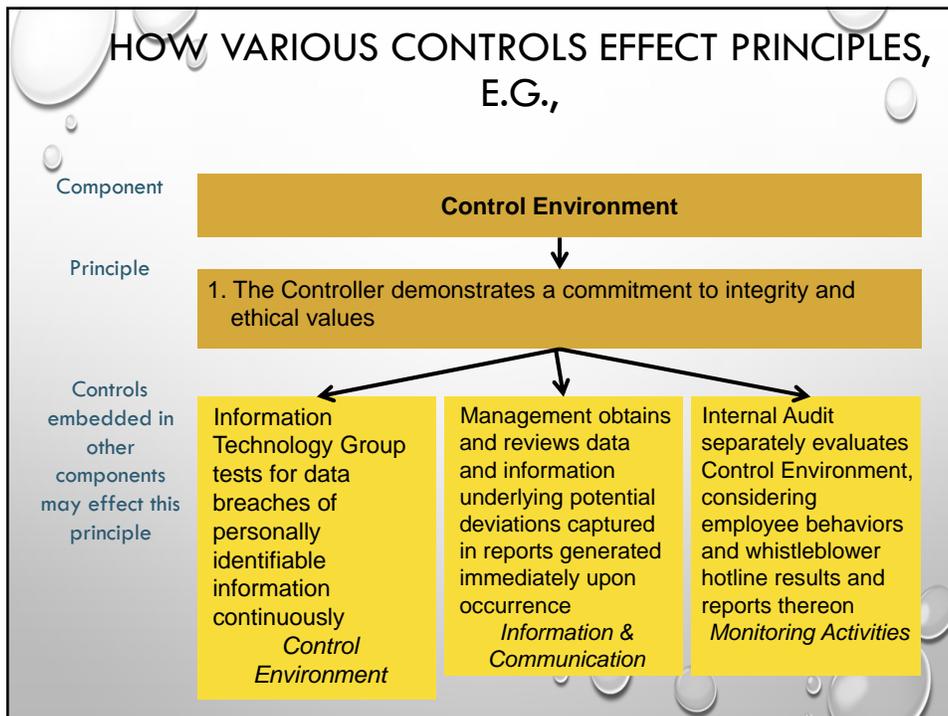
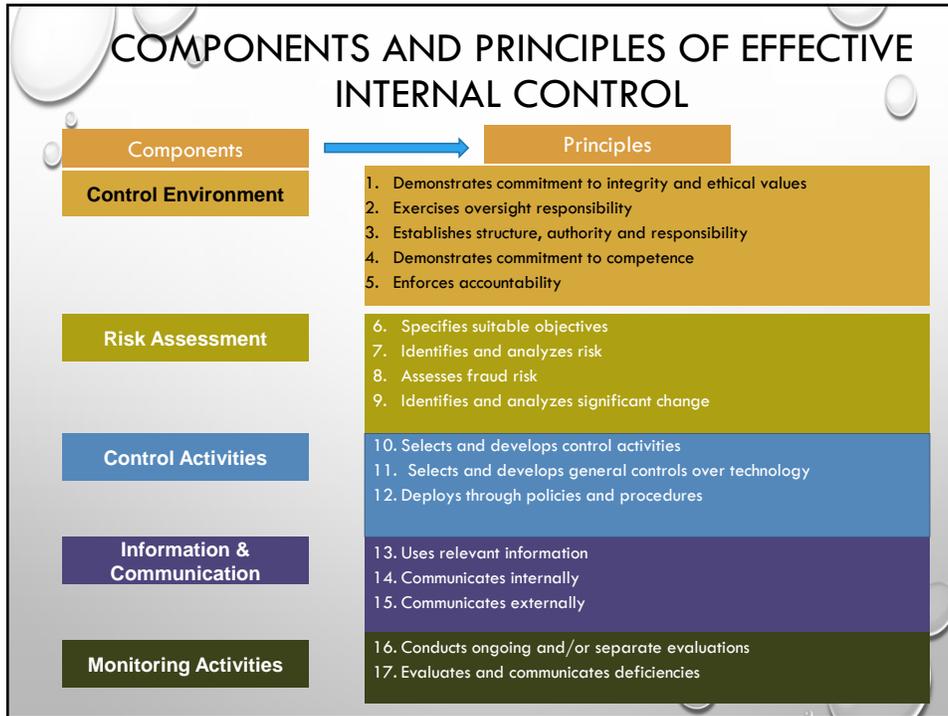
Expectations for competencies and accountabilities

- Use of, and reliance on, evolving technology
- Expectations relating to preventing and detecting fraud

...have driven Framework updates



COSO Cube (2013 Edition)



CONTROL ENVIRONMENT - PRINCIPLE 1 FURTHER EXAMPLE – COMMITMENT TO INTEGRITY AND ETHICAL VALUES

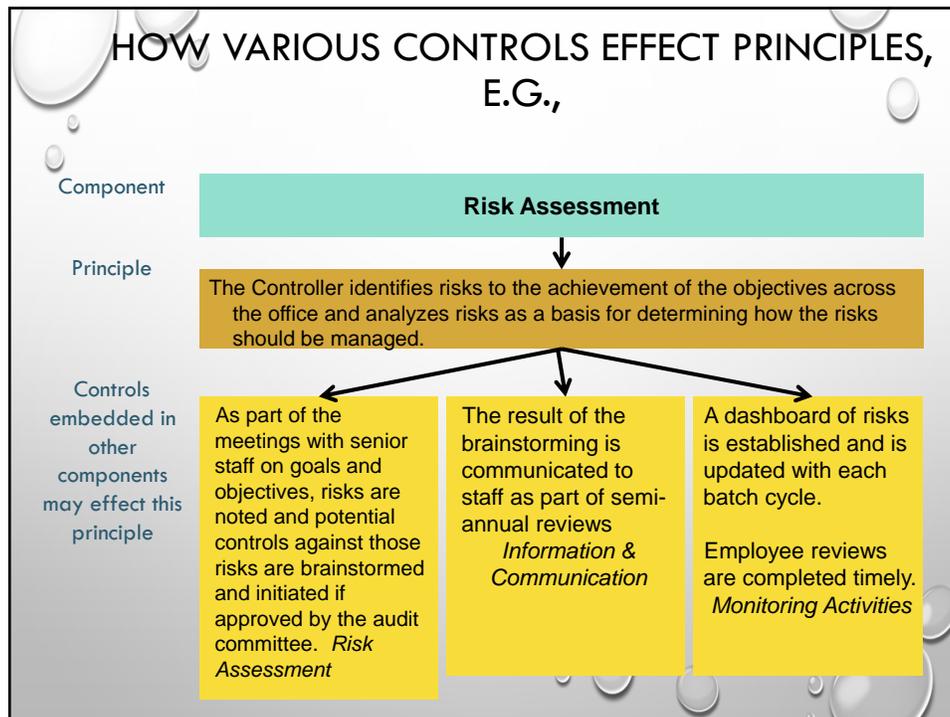
- THE STATE HAS CREATED, MAINTAINS, AND DISTRIBUTES A CODE OF CONDUCT AND ETHICAL STANDARDS
- DISTRIBUTED TO ALL EMPLOYEES AND EXTERNAL PARTIES ACTING ON BEHALF OF THE STATE, AND HAS POSTED IT ON THE STATE WEBSITE.
- CODE OF CONDUCT IS AVAILABLE IN ALL RELEVANT LANGUAGES FOR EASE OF ACCESS AND UNDERSTANDING BY CITIZENS.
- STATE REQUIRES ALL EMPLOYEES TO COMPLETE PERIODIC INTERACTIVE WEB-BASED TRAINING SESSIONS ON VARIOUS ASPECTS OF THE CODE AND ETHICAL STANDARDS.
- THE STATE PROVIDES A SUPPLIER CODE OF CONDUCT TO ITS VENDORS AS PART OF ITS CONTRACTING PROCESS, WHICH PROVIDE A BASIS FOR EVALUATION ALONGSIDE PRODUCT / SERVICE DELIVERY EVALUATION.

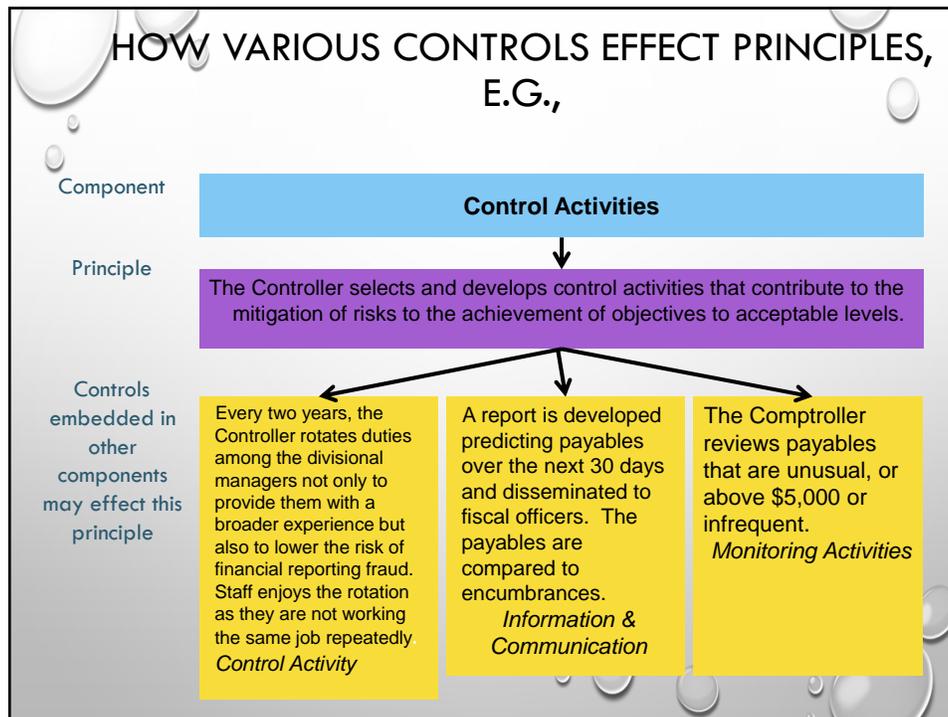
HOW IS THIS EFFECTIVE?

COMPONENTS AND PRINCIPLES OF EFFECTIVE INTERNAL CONTROL

Risk Assessment

6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.
9. The organization identifies and assesses changes that could significantly impact the system of internal control.



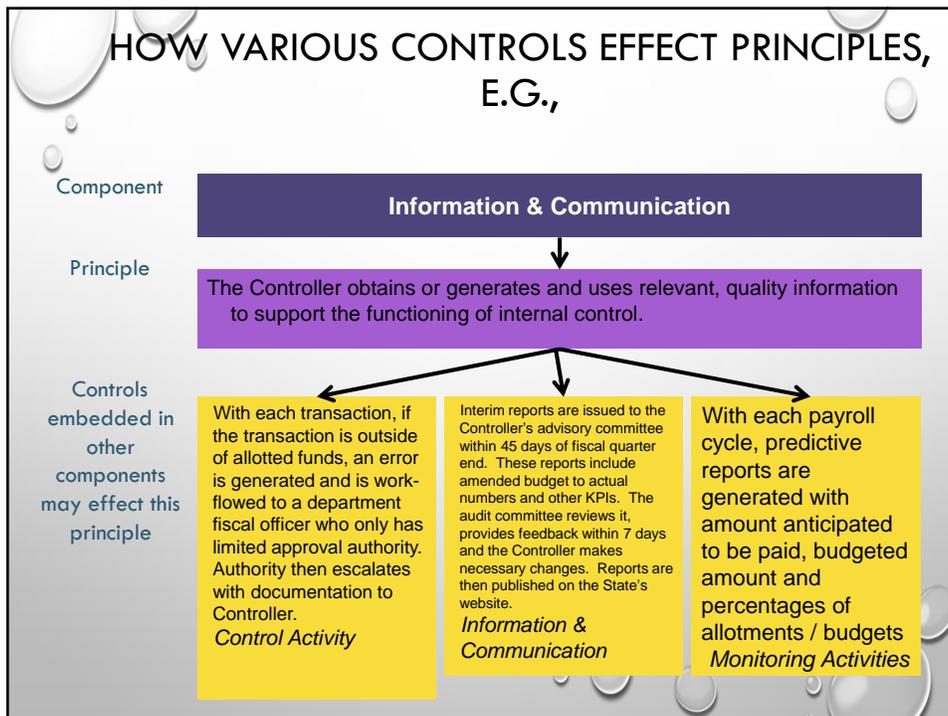


CONTROL ACTIVITIES - PRINCIPLE 11 EXAMPLE – GOVERNMENT SELECTS AND DEVELOPS GENERAL CONTROL ACTIVITIES OVER TECHNOLOGY

- AN AGENCY CFO RECENTLY EVALUATED THE USE OF **SPREADSHEETS** IN ITS FINANCIAL CLOSE PROCESS. IN DOING SO, IT IDENTIFIED THAT THE **SPREADSHEETS** SUPPORTING THE CALCULATION OF THE FAIR VALUES OF INVESTMENTS, THOSE SUPPORTING CAPITAL ASSETS, AND DEBT WERE OF HIGH RISK, BASED ON THEIR SUSCEPTIBILITY TO ERROR AND SIGNIFICANCE TO THE FINANCIAL STATEMENTS. THE CFO ALSO CLASSIFIED THE SPREADSHEETS AS HIGH IN COMPLEXITY BECAUSE THEY INCLUDED THE USE OF MACROS AND MULTIPLE SUPPORTING SPREADSHEETS TO WHICH CELLS AND VALUES WERE INTERLINKED. THE SPREADSHEETS WERE USED EITHER AS THE BASIS FOR JOURNAL ENTRIES INTO THE GENERAL LEDGER OR AS FINANCIAL STATEMENT DISCLOSURES.
- **HOW WOULD YOU SOLVE THIS?**

COMPONENTS AND PRINCIPLES OF EFFECTIVE INTERNAL CONTROL

Information & Communication	<p>13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.</p> <p>14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.</p> <p>15. The organization communicates with external parties regarding matters affecting the functioning of internal control.</p>
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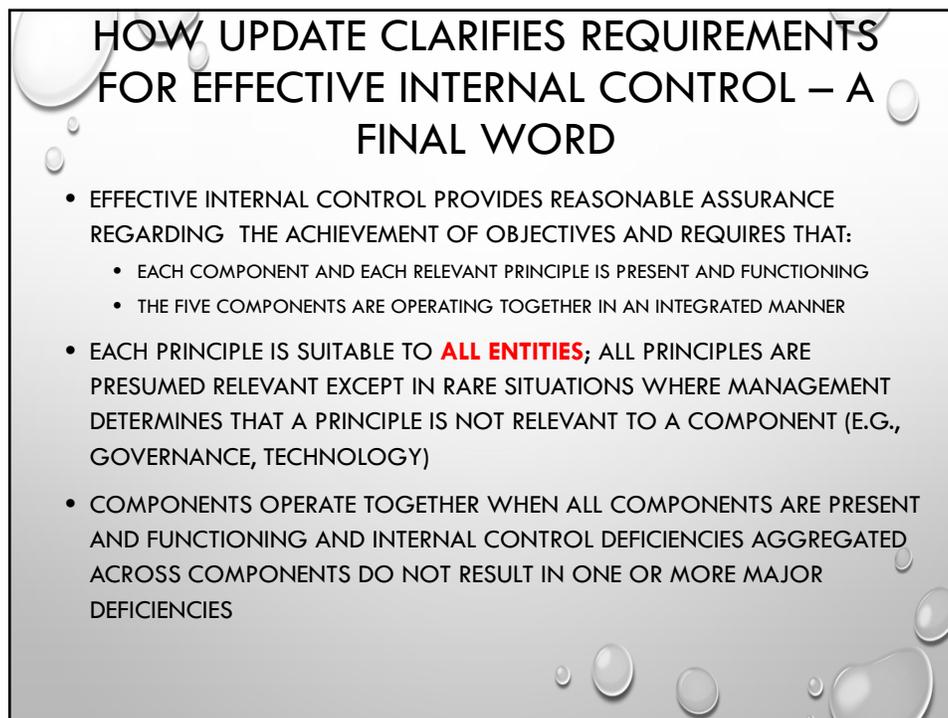
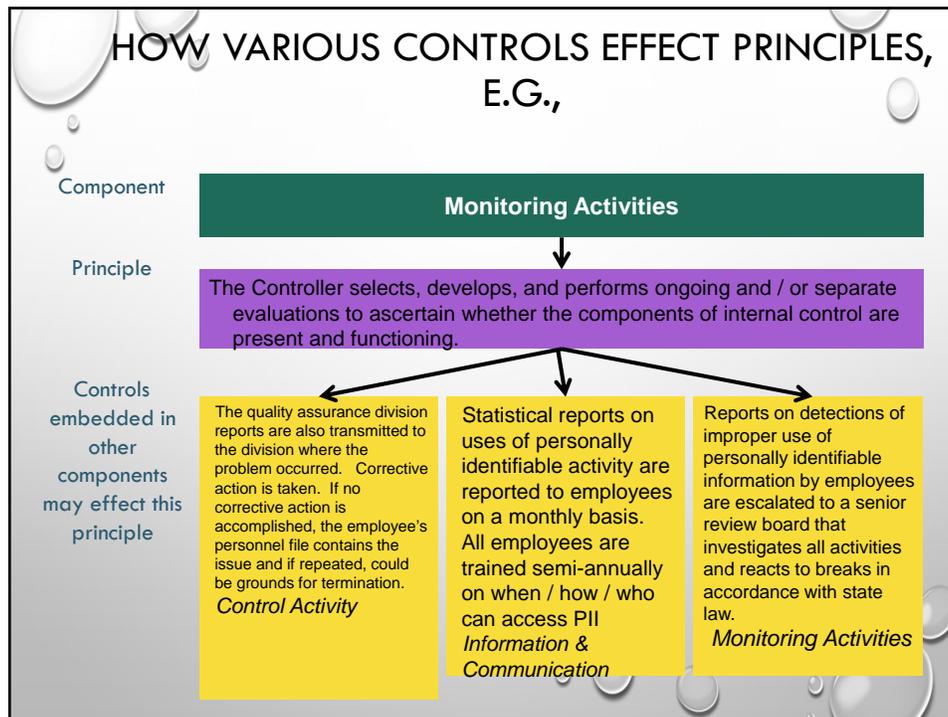
INFORMATION AND COMMUNICATION - PRINCIPLE 13 EXAMPLE –
GOVERNMENT OBTAINS OR GENERATES AND USES RELEVANT,
QUALITY INFORMATION TO SUPPORT THE FUNCTIONING OF
INTERNAL CONTROL

- THE AGENCY CFO RECEIVES A DAILY UPDATE AT 8 AM ON HER DESK COMPILED BY STAFF. THE UPDATE CONSISTS OF NEWSPAPER CLIPS, OTHER PUBLICATIONS, EVENT PRESS RELEASES, AND OTHER INFORMATION FROM EXTERNAL PARTIES (INCLUDING SOCIAL MEDIA) TO GATHER INFORMATION RELEVANT TO PERFORMING HER RESPONSIBILITIES.
- **DO YOU HAVE AN ISSUE WITH THIS?**

COMPONENTS AND PRINCIPLES OF EFFECTIVE
INTERNAL CONTROL

Monitoring Activities

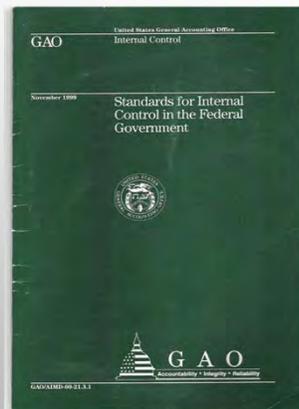
16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and those charged with governance, as appropriate.



REASONS FOR GREEN BOOK REVISION

- LAST ISSUED IN NOVEMBER 1999
- ADAPT TO A MORE GLOBAL, COMPLEX, AND TECHNOLOGICAL LANDSCAPE
- MAINTAIN RELEVANCY TO CHANGING STANDARDS
- HARMONIZE FEDERAL STANDARDS WITH THE UPDATED COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION (COSO) FRAMEWORK

STANDARDS FOR INTERNAL CONTROL IN THE GOVERNMENT



GOING **GREEN**

GAO GREEN BOOK

- *STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT*
 - EXPOSURE DRAFT ISSUED SEPTEMBER 3, 2013
 - COMMENT PERIOD ENDED FEBRUARY 15, 2014
 - WWW.GAO.GOV/GREENBOOK
- HARMONIZES FEDERAL STANDARDS WITH COSO'S UPDATED FRAMEWORK
- MENTIONED ON OMB'S GRANT REFORMS

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WHAT'S IN GREEN BOOK FOR THE FEDERAL GOVERNMENT?

- REFLECTS FEDERAL INTERNAL CONTROL STANDARDS REQUIRED PER FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)
- SERVES AS A BASE FOR OMB CIRCULAR A-123 (NOT A-133)
- WRITTEN FOR GOVERNMENT
 - LEVERAGES THE COSO FRAMEWORK
 - USES GOVERNMENT TERMS

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WHAT'S IN GREEN BOOK FOR STATE AND LOCAL GOVERNMENTS?

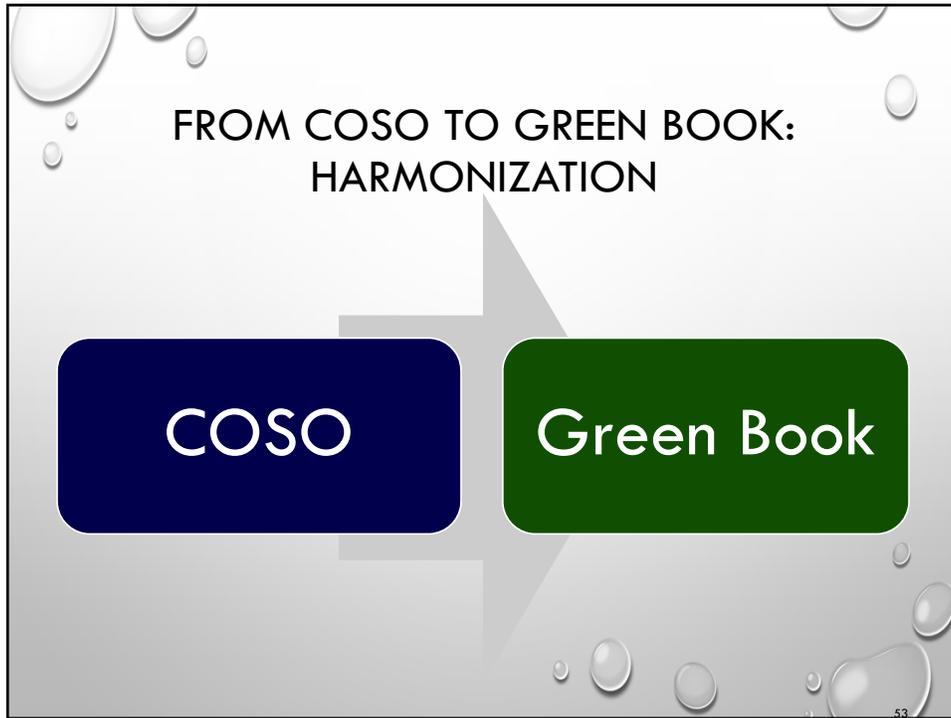
- **MAY BE AN ACCEPTABLE FRAMEWORK FOR INTERNAL CONTROL ON THE STATE AND LOCAL GOVERNMENT LEVEL UNDER OMB UNIFORM GUIDANCE FOR FEDERAL AWARDS SECTION 200.303 (SEE LATER)**

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WHAT'S IN GREEN BOOK FOR MANAGEMENT AND AUDITORS?

- PROVIDES A FRAMEWORK FOR MANAGEMENT
- PROVIDES CRITERIA FOR AUDITORS
- CAN BE USED IN CONJUNCTION WITH OTHER STANDARDS, E.G. YELLOW BOOK

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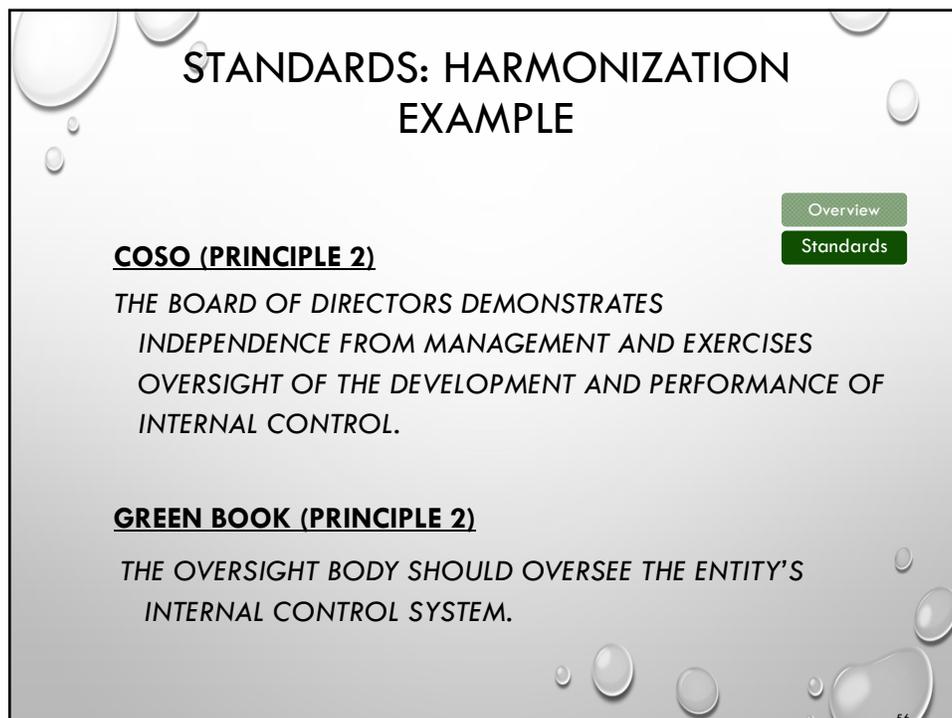


STANDARDS: COSO VS. GREEN BOOK

Component	COSO	Green Book
Control Environment	5 Principles 20 Points of Focus	5 Principles 14 Attributes
Risk Assessment	4 Principles 27 Points of Focus	4 Principles 10 Attributes
Control Activities	3 Principles 16 Points of Focus	3 Principles 11 Attributes
Information & Communication	3 Principles 14 Points of Focus	3 Principles 7 Attributes
Monitoring	2 Principles 10 Points of Focus	2 Principles 6 Attributes

Note: GAO combined COSO's points of focus into attributes

Overview
Standards



OTHER KEY DIFFERENCES

- CRITERIA VS. FRAMEWORK
- DOCUMENTATION REQUIREMENTS
 - 04.08 LISTS THE FIVE DOCUMENTATION REQUIREMENTS FOUND IN THE GREEN BOOK WHICH REPRESENT THE MINIMUM LEVEL OF DOCUMENTATION NECESSARY FOR AN EFFECTIVE INTERNAL CONTROL SYSTEM.
- EVALUATION INCLUDES THE ATTRIBUTE LEVEL
 - 03.09 DISCUSSES HOW MANAGEMENT CONSIDERS THE DESIGN, IMPLEMENTATION, AND OPERATING EFFECTIVENESS OF THE ATTRIBUTES FOR EACH PRINCIPLE

DOCUMENTATION REQUIREMENTS

- CONTROL ENVIRONMENT
 - 3.12: MANAGEMENT SHOULD DEVELOP AND MAINTAIN DOCUMENTATION OF ITS INTERNAL CONTROL SYSTEM.
- CONTROL ACTIVITIES
 - 12.03: MANAGEMENT SHOULD DOCUMENT IN POLICIES THE INTERNAL CONTROL RESPONSIBILITIES OF THE ORGANIZATION.

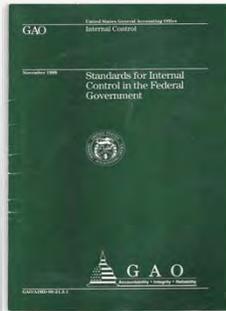
DOCUMENTATION REQUIREMENTS (CONT.)

- MONITORING
 - 16.12: MANAGEMENT SHOULD EVALUATE AND DOCUMENT THE RESULTS OF ONGOING MONITORING AND SEPARATE EVALUATIONS TO IDENTIFY INTERNAL CONTROL ISSUES.
 - 17.07: MANAGEMENT SHOULD EVALUATE AND DOCUMENT INTERNAL CONTROL ISSUES AND DETERMINE APPROPRIATE CORRECTIVE ACTIONS FOR INTERNAL CONTROL DEFICIENCIES ON A TIMELY BASIS.
 - 17.09: MANAGEMENT SHOULD COMPLETE AND DOCUMENT CORRECTIVE ACTIONS TO REMEDIATE INTERNAL CONTROL DEFICIENCIES ON A TIMELY BASIS.

THE GREEN BOOK IN ACTION

- RELATIONSHIP BETWEEN THE GREEN BOOK AND YELLOW BOOK
- AN INTERNAL CONTROL CASE STUDY ILLUSTRATING HOW THE GREEN BOOK COULD HELP MANAGERS AND AUDITORS ADDRESS IDENTIFIED ISSUES

GREEN BOOK AND YELLOW BOOK



- CAN BE USED BY MANAGEMENT TO UNDERSTAND REQUIREMENTS
- CAN BE USED BY AUDITORS TO UNDERSTAND CRITERIA



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THE YELLOW BOOK: FRAMEWORK FOR AUDITS

- FINDINGS ARE COMPOSED OF
 - CONDITION (WHAT IS)
 - **CRITERIA (WHAT SHOULD BE)**
 - CAUSE
 - EFFECT (RESULT)
 - RECOMMENDATION (AS APPLICABLE)



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LINKAGE BETWEEN CRITERIA (YELLOW BOOK) AND INTERNAL CONTROL (GREEN BOOK)



- GREEN BOOK PROVIDES CRITERIA FOR THE DESIGN, IMPLEMENTATION, AND OPERATING EFFECTIVENESS OF AN EFFECTIVE INTERNAL CONTROL SYSTEM

THE YELLOW BOOK: FRAMEWORK FOR AUDITS

- FINDINGS ARE COMPOSED OF
 - CONDITION (WHAT IS)
 - CRITERIA (WHAT SHOULD BE)
 - **CAUSE**
 - EFFECT (RESULT)
 - RECOMMENDATION (AS APPLICABLE)



LINKAGE BETWEEN FINDINGS (YELLOW BOOK) AND INTERNAL CONTROL (GREEN BOOK)



- FINDINGS MAY HAVE CAUSES THAT RELATE TO INTERNAL CONTROL DEFICIENCIES

•SINGLE AUDIT UPDATE



ARRA REPORTING

- **RATB & GATB NEWS UPDATE**
- **RATB**
- THE MISSION OF RATB IS “TO PROMOTE ACCOUNTABILITY BY COORDINATING AND CONDUCTING OVERSIGHT OF RECOVERY FUNDS TO PREVENT FRAUD, WASTE, AND ABUSE AND TO FOSTER TRANSPARENCY ON RECOVERY SPENDING BY PROVIDING THE PUBLIC WITH ACCURATE, USER-FRIENDLY INFORMATION.”
- UNDER THE CONSOLIDATED APPROPRIATIONS ACT OF 2012, THE BOARD'S AUTHORITY WAS EXPANDED TO INCLUDE OVERSIGHT OF ALL FEDERAL FUNDING. AND, UNDER THE DISASTER APPROPRIATIONS ACT OF 2013, THE BOARD WAS MANDATED BY CONGRESS TO USE ITS

ARRA REPORTING

- **RATB & GATB NEWS UPDATE**
- **RATB**
- IN JANUARY, PRESIDENT OBAMA SIGNED THE 2014 FEDERAL GOVERNMENT OMNIBUS SPENDING BILL. THE BILL INCLUDED A PROVISION ESSENTIALLY REPEALING SECTION 1512 OF THE AMERICAN RECOVERY AND REINVESTMENT ACT, WHICH MANDATED THAT RECIPIENTS OF ARRA CONTRACT, GRANT AND LOAN AWARDS REPORT QUARTERLY ON THE STATUS OF THOSE AWARDS. AS OF FEBRUARY 2014, RECIPIENTS ARE NO LONGER REQUIRED TO REPORT QUARTERLY. THE RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD, IN COLLABORATION WITH THE U.S. OFFICE OF MANAGEMENT AND BUDGET, HAS POSTED THE FOLLOWING TIMELINE FOR RECIPIENTS AND

ARRA REPORTING

- **RATB & GATB NEWS UPDATE (CONT'D)**
- **JANUARY 30, 2014**
- FOURTH QUARTER 2013 DATA WAS POSTED ON RECOVERY.GOV
- **FEBRUARY 1 – MARCH 19, 2014**
- AGENCIES AND RECIPIENTS SHOULD REVIEW REPORTS ON FEDERALREPORTING.GOV AND MAKE CHANGES AND CORRECTIONS AS NEEDED. THOSE WITH QUESTIONS ABOUT HOW TO MAKE CHANGES SHOULD:
 - 1. READ THE FAQs ON FEDERALREPORTING.GOV FIRST
 - 2. DIRECT FURTHER QUESTIONS TO THE HELP DESK AT FEDERALREPORTINGHELPDESK@RATB.GOV
- AGENCIES AND RECIPIENTS CAN CONTINUE TO SUBMIT AUTOMATED DATA CHANGE (ADC) REQUESTS (SEE CHAPTER 16 OF THE USER GUIDE FOR INFORMATION) 71
- **FEBRUARY 12, 2014**

ARRA REPORTING

- **RATB & GATB NEWS UPDATE (CONT'D)**
- THE EXTENDED QUALITY ASSURANCE PERIOD ENDS FOR RECIPIENTS AND AGENCIES
- RECIPIENTS WILL NO LONGER BE ABLE TO LOG INTO FEDERALREPORTING.GOV
- THE HELP DESK WILL CLOSE FOR RECIPIENTS
- **MARCH 20 - MARCH 31, 2014**
- AGENCIES SHOULD REVIEW RECIPIENTS' ADCS, AND RECONCILE AND CLOSE OUT AWARDS
- **MARCH 31, 2014**
- THE HELP DESK WILL CLOSE FOR AGENCIES
- **MAY 1, 2014**
- **FINAL RECIPIENT DATA FROM FEDERALREPORTING.GOV IS POSTED ON RECOVERY.GOV. THE MAPS, CHARTS AND GRAPHS THAT DISPLAY THE RECIPIENT DATA WILL NOT BE UPDATED AGAIN.** 72
- ADDITIONALLY, THE RATB HAS ISSUED A FREQUENTLY ASKED QUESTIONS

GRANT REPORTING

- **GATB**
- THE **GOVERNMENT ACCOUNTABILITY AND TRANSPARENCY BOARD (GATB)** WAS CREATED BY EXECUTIVE ORDER IN JUNE 2011 TO “PROVIDE STRATEGIC DIRECTION FOR ENHANCING THE TRANSPARENCY OF FEDERAL SPENDING AND ADVANCE EFFORTS TO DETECT AND REMEDIATE FRAUD, WASTE, AND ABUSE IN FEDERAL PROGRAMS” AND TO BUILD ON THE LESSONS LEARNED FROM THE IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT. THE ELEVEN MEMBERS OF THE GATB WERE APPOINTED BY THE PRESIDENT FROM THE INSPECTORS GENERAL COMMUNITY, AGENCY CHIEF FINANCIAL OFFICERS OR DEPUTY SECRETARIES, AND THE OFFICE OF MANAGEMENT AND BUDGET.

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GRANT REPORTING

- **GATB**
- RECENTLY THE GATB HELD ITS FIRST PUBLIC HEARING IN (JANUARY) TO SOLICIT FEEDBACK FROM INTERESTED PARTIES REGARDING THE BOARD’S AGENDA FOR THE COMING YEAR AND THE ONGOING WORK TO MAKE GOVERNMENT SPENDING INFORMATION MORE TRANSPARENT AND AVAILABLE TO THE PUBLIC. THE BOARD’S MISSION IS:
- TO IDENTIFY IMPLEMENTATION GUIDELINES FOR INTEGRATING SYSTEMS THAT SUPPORT THE COLLECTION AND DISPLAY OF GOVERNMENT SPENDING DATA, ENSURING THE RELIABILITY OF THOSE DATA, AND BROADENING THE DEPLOYMENT OF FRAUD DETECTION TECHNOLOGIES, INCLUDING THOSE PROVEN SUCCESSFUL DURING THE IMPLEMENTATION OF THE RECOVERY ACT.

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GRANT REPORTING

BEGINNING!!!

DATA ACT

COLLECTION POINTS

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**SINGLE AUDIT UPDATE /
THE NEW “SUPER
CIRCULAR” OR
“UNIFORM GUIDANCE”**

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**COUNCIL ON FINANCIAL
ASSISTANCE REFORM
(COFAR)**

WWW.CFO.GOV/COFAR

CHANGES TO GUIDANCE

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[LINK TO OUR LETTER TO OMB](#)

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CHANGES TO GUIDANCE

- **REFORM OF FEDERAL POLICIES RELATING TO GRANTS AND COOPERATIVE AGREEMENTS; COST PRINCIPLES AND ADMINISTRATIVE REQUIREMENTS (INCLUDING SINGLE AUDIT ACT)**
- RELEASED IN THE FEDERAL REGISTER FEBRUARY 28, 2012
- RESULT OF OVER A YEAR OF WORK BY FEDERAL / STATE / LOCAL / IG TASK FORCE ORDERED BY E.O. 13520
 - **GOALS :**
 - REDUCE FRAUD, WASTE AND ABUSE
 - INCREASE CROSS-COLLABORATION
 - STREAMLINE REPORTING AND ADJUDICATION OF FINDINGS
 - CUT RULES THAT ARE BURDENSOME, INEFFECTIVE ETC.

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CHANGES TO GUIDANCE

- THE PROPOSALS FELL UNDER 3 SECTIONS:
- SECTION A – REFORMS TO A-133 AND THE SINGLE AUDIT ACT
- SECTION B – REFORMS TO COST ACCOUNTING PRINCIPLES – A-87 (ALSO A-21 / A-122)
- SECTION C- REFORMS TO THE COMMON RULE (A-102)

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OMB GRANT REFORM

- **UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (“UNIFORM GUIDANCE”)**
 - FINAL RULE ISSUED ON DECEMBER 26, 2013
 - CONTAINED IN 2 CFR PART 200
 - EFFECTIVE DATES:
 - FEDERAL AGENCIES ON DECEMBER 26, 2014
 - SUBPART F AUDIT REQUIREMENTS ARE APPLICABLE TO FISCAL YEARS BEGINNING ON OR AFTER DECEMBER 26, 2014
 - RESOURCES:
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS_DOCS/](http://www.whitehouse.gov/omb/grants_docs/)
 - [HTTPS://CFO.GOV/COFAR/](https://cfo.gov/cofar/)

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SUPERCIRCULAR OR UNIFORM GUIDANCE

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INDEX – PART 200 CFR

- SUBPART A – ACRONYMS AND DEFINITIONS
- SUBPART B – GENERAL PROVISIONS
- SUBPART C – PRE-AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS
- SUBPART D - POST FEDERAL AWARD REQUIREMENTS
- SUBPART E – COST PRINCIPLES
- SUBPART F – AUDIT REQUIREMENTS

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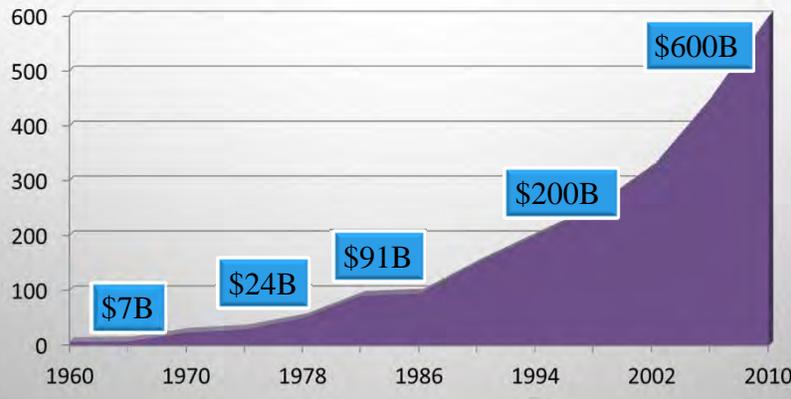
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS

2 CFR CHAPTER 1, CHAPTER 2, PART 200,
ET AL.

January 27, 2014

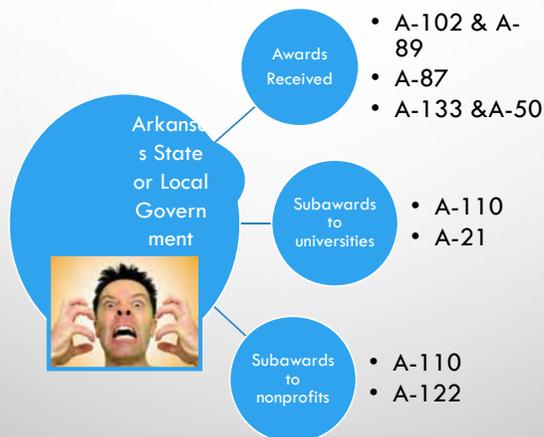
WHY DONE? - INCREASE IN FEDERAL GRANTS ACTIVITY

The Catalog of Federal Domestic Assistance lists over **2,000** Federal grant programs



ELIMINATED DUPLICATIVE AND CONFLICTING GUIDANCE

Then:



Now: All OMB guidance streamlined in 2 CFR 200.

AUDIT REQUIREMENTS

REFORMS TO CIRCULARS A-133 AND A-50

January 27, 2014

AUDIT REQUIREMENTS

THIS SECTION HIGHLIGHTS THE MAJOR POLICY CHANGES TO THE GOVERNMENT-WIDE REQUIREMENTS FOR AUDIT OF FEDERAL AWARDS UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996. THESE AUDIT REQUIREMENTS ARE CURRENTLY FOUND IN OMB CIRCULAR A-133, "AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS AND WILL BE REPLACED BY SUBPART F-AUDIT REQUIREMENTS IN 2 CFR PART 200 WHICH WAS PUBLISHED IN THE FEDERAL REGISTER ON DECEMBER 26, 2013.

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TARGETING AUDIT REQUIREMENTS ON RISK OF WASTE, FRAUD, AND ABUSE

The final guidance **right-sizes the footprint** of oversight and Single Audit requirements to strengthen oversight and focus audits where there is greatest risk of waste, fraud, and abuse of taxpayer dollars.

It improves transparency and accountability by making single audit reports available to the public online, and encourages Federal agencies to take a more cooperative approach to audit resolution in order to more conclusively resolve underlying weaknesses in internal controls.

REVISIONS FOCUS AUDIT ON RISK

- INCREASES AUDIT THRESHOLD.
- STRENGTHENS RISK-BASED APPROACH TO DETERMINE MAJOR PROGRAMS.
- PROVIDES FOR GREATER TRANSPARENCY OF AUDIT RESULTS.
- STRENGTHENS AGENCY USE OF THE SINGLE AUDIT PROCESS.
- PROVIDES FOR PUBLIC OUTREACH TO FOCUS COMPLIANCE SUPPLEMENT ON REQUIREMENTS OF HIGHEST RISK.

BASIC STRUCTURE OF SINGLE AUDIT PROCESS UNCHANGED

- AUDIT THRESHOLD (200.501).
- SUBRECIPIENT VS. CONTRACTOR (200.501(F) & 200.330).
- BIENNIAL (200.504) & PROGRAM-SPECIFIC (200.507) AUDITS.
- NON-FEDERAL ENTITY SELECTS AUDITOR (200.509).
- AUDITEE PREPARES FINANCIAL STATEMENTS & SEFA(200.510).
- AUDIT FOLLOW-UP & CORRECTIVE ACTION(200.511 & 200.521).
- 9 MONTH DUE DATE (SET IN LAW) (200.512(A)).
- REPORTING TO FEDERAL AUDIT CLEARINGHOUSE (200.512).
- MAJOR PROGRAMS DETERMINED BASED ON RISK (200.518).
- COMPLIANCE SUPPLEMENT OVERALL FORMAT.

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AUDIT THRESHOLD (200.501)

- THE COFAR CONSIDERED THAT RAISING THE THRESHOLD WOULD ALLOW FEDERAL AGENCIES TO FOCUS THEIR AUDIT RESOLUTION RESOURCES ON THE FINDINGS THAT PUT HIGHER AMOUNTS OF TAXPAYER DOLLARS AT RISK, THUS BETTER MITIGATING OVERALL RISKS OF WASTE, FRAUD, AND ABUSE ACROSS THE GOVERNMENT.
- FURTHER, THE COFAR NOTES THAT PROVISIONS THROUGHOUT THE GUIDANCE, INCLUDING PRE-AWARD REVIEW OF RISKS, STANDARDS FOR FINANCIAL AND PROGRAM MANAGEMENT, SUBRECIPIENT MONITORING AND MANAGEMENT, AND REMEDIES FOR NONCOMPLIANCE PROVIDE A STRENGTHENED LEVEL OF OVERSIGHT FOR NON-FEDERAL ENTITIES THAT WOULD FALL BELOW THE NEW THRESHOLD.

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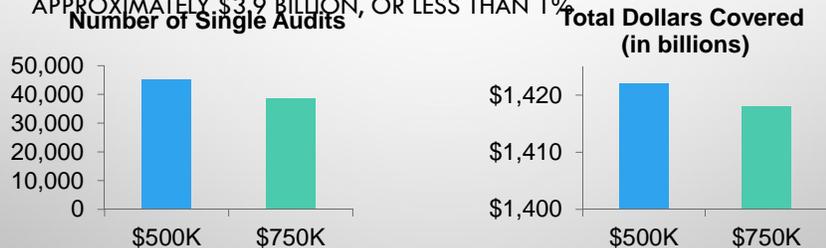
AUDIT THRESHOLD

- INCREASES AUDIT THRESHOLD FROM \$500,000 TO \$750,000.
- MAINTAINS OVERSIGHT OVER 99.7% OF THE DOLLARS CURRENTLY SUBJECT SINGLE AUDIT AND REDUCES AUDIT BURDEN FOR APPROXIMATELY 6,300 ENTITIES.
- INCREASE OF \$250,000 IS IN LINE WITH PREVIOUS THRESHOLD INCREASE IN 2003.

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SINGLE AUDIT THRESHOLD CHANGE

- INCREASE AUDIT THRESHOLD FROM \$500,000 TO \$750,000
- BASED ON SINGLE AUDITS SUBMITTED TO THE FAC FOR 2011, THERE WOULD BE APPROXIMATELY 6,300 FEWER ENTITIES SUBJECT TO A SINGLE AUDIT, BUT THERE WOULD ONLY BE A REDUCTION IN DOLLARS COVERED OF APPROXIMATELY \$3.9 BILLION, OR LESS THAN 1%.



OMB's goal is to concentrate audit resolution and oversight resources on higher dollar and higher risk awards.

MAJOR PROGRAM DETERMINATION

200.518 Major Program Determination focuses audits on the areas with internal control deficiencies that have been identified as material weaknesses. Future updates to the Compliance Supplement will reflect this focus as well.

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TYPE A/B THRESHOLD – STEP 1

- PROGRAMS ARE GROUPED BASED ON DOLLARS.
 - TYPE A PROGRAMS ARE THOSE ABOVE THE THRESHOLD.
 - TYPE B ARE THOSE BELOW THE THRESHOLD.
- TYPE A/B THRESHOLD IS A SLIDING SCALE WITH MINIMUM.
 - MINIMUM INCREASES FROM **\$300,000 TO \$750,000**.
 - THRESHOLD PRESENTED IN TABLE TO BE MORE EASILY UNDERSTOOD.
- AUDIT THRESHOLD AND TYPE A/B MINIMUM THRESHOLD WILL BE THE SAME AT \$750,000.

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Total Federal awards expended	Type A/B threshold
Equal to \$750,000 but less than or equal to \$25 million	\$750,000.
Exceed \$25 million but less than or equal to \$100 million	Total Federal awards expended times .03.
Exceed \$100 million but less than or equal to \$1 billion	\$3 million.
Exceed \$1 billion but less than or equal to \$10 billion	Total Federal awards expended times .003.
Exceed \$10 billion but less than or equal to \$20 billion	\$30 million.
Exceed \$20 billion	Total Federal awards expended times .0015.

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TYPE A/B THRESHOLD – TABLE (200.518(B)(1))

Type A/B Threshold	Total Federal Awards Expended (FAE)
\$750,000	Equal to \$750,000 but LT or EQ to \$25 M
Total FAE times .03	Exceed \$25M but LT or EQ to \$100M
\$3,000,000	Exceed \$100M but LT or EQ to \$1B
Total FAE times .003	Exceed \$1B but LT or EQ to \$10B
\$30M	Exceed \$10B but LT or EQ to \$20B
Total FAE times .0015	Exceed \$20B

M means Million Dollars and B means Billion Dollars.
 LT means Less Than.
 EQ means Equal To.

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TYPE A THRESHOLD CHANGE

■ GROUPINGS ARE BASED ON DOLLARS — TYPE A PROGRAMS ARE THOSE ABOVE THE DOLLAR THRESHOLD, TYPE B ARE THOSE BELOW

- THE MINIMUM THRESHOLD FOR TYPE A PROGRAMS IS INCREASED FROM \$300,000 TO \$500,000.

If total federal awards expended is:	Then Type A programs are those with federal awards expended of the greater of
\$1 million	\$500,000 or 3% (.03) of total awards expended
\$100 million	\$3 million or .3% (.003) of total awards expended
\$10 billion	\$30 million or .15% (.0015) of total awards expended

HIGH-RISK TYPE A PROGRAM (200.518(C)) (STEP 2)

CURRENT A-133 CRITERIA:

- NOT AUDITED AS MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS.
- IN MOST RECENT PERIOD HAD **ANY AUDIT FINDING.**
 - PROVIDED FOR AUDITOR JUDGMENT IN LIMITED CASES, E.G., VERY SMALL QUESTIONED COSTS.
 - OTHER – AUDITOR JUDGMENT - OVERSIGHT EXERCISED BY FEDERAL AGENCIES OR PASS-THROUGH ENTITIES, AUDIT FOLLOW-UP, OR CHANGES IN

UNIFORM GUIDANCE:

- SAME.
- In most recent period had a **HIGH- RISK AUDIT FINDING:**
 - Modified opinion.
 - Material weakness in internal control.
 - Known or likely questioned costs exceeding 5% of total program expenditures.
 - Other – Auditor judgment.
 - ✖ Basically unchanged.

Key Personnel or Systems with internal controls and few audit findings will have less high-risk Type A program RISK.

HIGH-RISK TYPE A PROGRAMS CHANGES

OLD DEFAULT CRITERIA:

- NOT AUDITED AS A MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS
- IN MOST RECENT PERIOD, HAD ANY OF THE FOLLOWING FOR PROGRAM:
 - SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL
 - MATERIAL WEAKNESS IN INTERNAL CONTROL
 - MATERIAL NONCOMPLIANCE FINDING
- HAS ARRA EXPENDITURES IN CURRENT YEAR
- WRITTEN REQUEST BY FEDERAL AWARDING AGENCY TO AUDIT AS MAJOR (180 DAYS NOTICE)

NEW DEFAULT CRITERIA:

- NOT AUDITED AS A MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS
- IN MOST RECENT PERIOD, HAD ANY OF THE FOLLOWING FOR PROGRAM:
 - OTHER THAN AN UNQUALIFIED OPINION
 - MATERIAL WEAKNESS IN INTERNAL CONTROL
 - KNOWN OR LIKELY QUESTIONED COSTS THAT EXCEED 5% OF THE TOTAL EXPENDITURES OF THE PROGRAM
 - N/A
- WRITTEN REQUEST BY FEDERAL AWARDING AGENCY TO AUDIT AS MAJOR (180 DAYS NOTICE)

This change puts the focus of risk assessment on whether the program received a qualified opinion or material weakness over internal control, as opposed to whether the program received less significant findings that are not essential to the financial integrity of the program.

HIGH-RISK TYPE A PROGRAMS

OLD - if none of default criteria met, auditors use professional judgment of listed risk factors to determine if Type A program is considered low or high risk

NEW - less clear as to whether the auditors continue to use professional judgment although there is a reference to the risk factors

The notion of professional judgment appears to be inconsistent with the concept of focusing on programs which had more significant findings.

HIGH-RISK TYPE B PROGRAM (200.518(D)) (STEP 3)

CURRENT A-133 CRITERIA:

- CURRENTLY THERE ARE TWO TYPE B RISK ASSESSMENT OPTIONS:
 - OPTION 1 – PERFORM RISK ASSESSMENTS ON **ALL** TYPE B PROGRAMS AND SELECT AT LEAST **50%** OF TYPE B PROGRAMS* IDENTIFIED AS HIGH RISK UP TO NUMBER OF LOW-RISK TYPE A PROGRAMS
 - OPTION 2 – PERFORM RISK ASSESSMENTS ON ALL TYPE B PROGRAMS* UNTIL AS MANY HIGH-RISK TYPE B PROGRAMS HAVE BEEN IDENTIFIED AS THERE ARE LOW-RISK TYPE A PROGRAMS.
 - *subject to de minimus threshold

NEW CRITERIA:

- **PERFORM RISK ASSESSMENTS ON TYPE B PROGRAMS UNTIL HIGH-RISK TYPE B PROGRAMS HAVE BEEN IDENTIFIED UP TO AT LEAST 25% OF NUMBER OF LOW-RISK TYPE A PROGRAMS**
- **ARE YOU STILL HOLDING THAT THOUGHT??**

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PERCENTAGE OF COVERAGE RULE (200.518(F)) (STEP 4)

- GUIDANCE REDUCES THE MINIMUM COVERAGE AS FOLLOWS:

Type of Auditee	Current	New
Not low-risk	50%	40%
Low-risk	25%	20%

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EFFECT OF LARGE LOAN PROGRAMS

- CIRCULAR INCORPORATES THE GUIDANCE ON THE INCLUSION OR EXCLUSION OF LARGE LOAN OR LOAN GUARANTEE PROGRAMS IN DETERMINING THE TYPE A THRESHOLD THAT IS CURRENTLY IN THE COMPLIANCE SUPPLEMENT
- CIRCULAR MODIFIES THE GUIDANCE RELATED TO A CLUSTER OF PROGRAMS
 - RULE – LARGE LOAN PROGRAM EXCEEDS FOUR (4) TIMES THE LARGEST NON-LOAN PROGRAM. EXCLUDE ALL LARGE LOAN PROGRAMS WHEN DETERMINING TYPE A MAJOR PROGRAMS. (200.518)
 - A CLUSTER OF PROGRAMS IS TREATED AS ONE PROGRAM IN DETERMINING TYPE A PROGRAMS. FOR THE PURPOSES OF EXCLUDING LARGE LOAN PROGRAMS IN THE DETERMINATION OF OTHER TYPE A PROGRAMS, A CLUSTER OF PROGRAMS IS NOT CONSIDERED TO BE A LOAN PROGRAM IF THE INDIVIDUAL LOAN PROGRAMS WITHIN THE CLUSTER COMPRISE LESS THAN 50% OF THE EXPENDITURES OF THE CLUSTER (200.518, 200.502)

LOW-RISK AUDITEE

200.520 CRITERIA FOR A LOW-RISK AUDITEE

MEMBERS OF THE AUDIT COMMUNITY AND STATES COMMENTED ON THE CRITERIA FOR A LOW-RISK AUDITEE THAT INCLUDES WHETHER THE FINANCIAL STATEMENTS WERE PREPARED IN ACCORDANCE WITH GAAP. MEMBERS OF THE AUDIT COMMUNITY NOTE THAT GAAP IS THE PREFERRED METHOD, AND STATES NOTE THAT STATE LAW SOMETIMES PROVIDES FOR OTHER METHODS OF PREPARATION. THE COFAR CONSIDERED THIS AND RECOMMENDED REVISED LANGUAGE TO ALLOW FOR EXCEPTIONS WHERE STATE LAW REQUIRES OTHERWISE.

LOW-RISK AUDITEE (200.520)

CURRENT (2 PRIOR YEARS)

- ANNUAL SINGLE AUDITS
- UNMODIFIED OPINION ON FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP
- UNMODIFIED SEFA IN RELATION TO OPINION.
- NO GAGAS MATERIAL WEAKNESSES
- IN EITHER OF PRECEDING TWO YEARS, NONE OF TYPE A PROGRAMS HAD:
 - MATERIAL WEAKNESS.
 - MATERIAL NONCOMPLIANCE.
 - QUESTIONED COSTS THAT EXCEED 5%.
- TIMELY FILING WITH FAC.
- AUDITOR REPORTING GOING CONCERN NOT PRECLUDE LOW-RISK.
- WAIVERS.

NEW (2 PRIOR YEARS)

- SAME.
- Unmodified opinions on statements in accordance with GAAP or basis of accounting required by state law.
- SAME.
- SAME.
- SAME
- SAME.
- **NO AUDIT REPORTING OF GOING CONCERN.**
- **NO WAIVERS.**

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AUDIT REQUIREMENTS – SINGLE AUDITS

- STREAMLINING TYPES OF COMPLIANCE (CONT.)
 - TENTATIVE “KEEPERS” (7)
 - ACTIVITIES ALLOWED OR UNALLOWED
 - INCLUDING “MATCHING” AND “PERIOD OF AVAILABILITY” TO VERIFY ALLOWABILITY
 - ALLOWABLE COSTS/ COST PRINCIPLES
 - CASH MANAGEMENT
 - ELIGIBILITY
 - REPORTING
 - SUBRECIPIENT MONITORING
 - SPECIAL TESTS AND PROVISIONS

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AUDIT REQUIREMENTS – SINGLE AUDITS

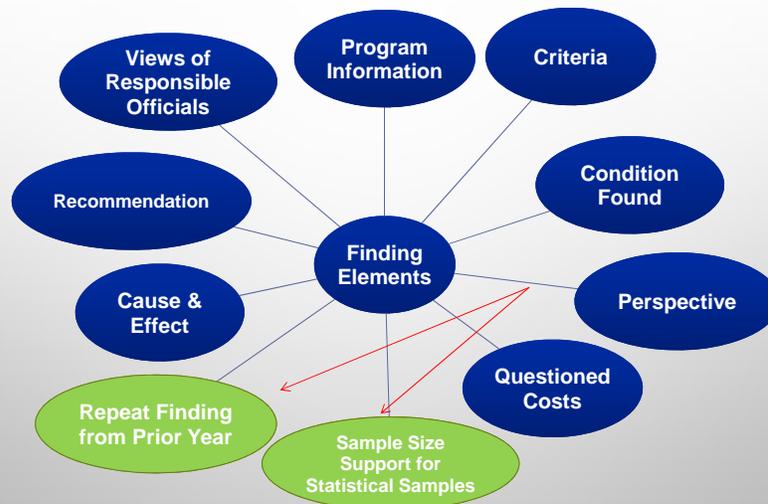
- STREAMLINING TYPES OF COMPLIANCE (CONT.)
 - TENTATIVE ELIMINATIONS (7)
 - DAVIS BACON
 - EQUIPMENT AND REAL PROPERTY MANAGEMENT
 - MATCHING, LEVEL OF EFFORT, AND EARMARKING
 - PERIOD OF AVAILABILITY OF FEDERAL FUNDS (EXCEPT WHERE TESTED TO VERIFY ALLOWABLE/UNALLOWABLE COSTS)
 - PROCUREMENT AND SUSPENSION AND DEBARMENT
 - PROGRAM INCOME
 - REAL PROPERTY ACQUISITION & RELOCATION ASSISTANCE

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STREAMLINING COMPLIANCE REQUIREMENTS

Compliance Requirements	Current	Proposed
A. Activities Allowed or Unallowed	✓	✓
B. Allowable Costs/Cost Principles	✓	Incorporated into A.
C. Cash Management	✓	✓
D. Davis – Bacon Act	✓	Agency could request to be part of N.
E. Eligibility	✓	✓
F. Equipment	✓	Agency could request to be part of N.
G. Matching, Level of Effort, Earmarking	✓	Matching incorporated in A. Agency could request the remainder be part of N.
H. Period of Availability of Federal Funds	✓	Incorporated into A.
I. Procurement, Suspension, Debarment	✓	Agency could request to be part of N.
J. Program Income	✓	Agency could request to be part of N.
K. Real Property	✓	Agency could request to be part of N.
L. Reporting	✓	✓
M. Subrecipient Monitoring	✓	✓
N. Special Tests and Provisions	✓	✓

FINDING ELEMENTS – CARRIED ALSO TO NEW DCF (200.516)



SINGLE AUDIT REPORT SUBMISSION

200.512 Report Submission

requires publication of Single Audit Reports online with safeguards for protected personally identifiable information and an exception for Indian tribes in order to reduce the administrative burden on non-Federal entities associated with transmitting these reports to all interested parties.

SINGLE AUDIT REPORT SUBMISSION (CONT'D)

- ALL AUDITEES MUST SUBMIT THE REPORTING PACKAGE AND THE DATA COLLECTION FORM ELECTRONICALLY TO THE FEDERAL AUDIT CLEARINGHOUSE (FAC) (200.512(D)).
- FAC SUBMISSION PROCESS WILL BE CHANGED TO REQUIRE THAT SUBMISSIONS BE IN TEXT-BASED PDF AND UNLOCKED TO IMPROVE ACCESSIBILITY.
- FAC RESPONSIBLE TO MAKE THE REPORTS AVAILABLE ON A WEB SITE (200.512(G)).
 - EXCEPTION FOR INDIAN TRIBES WILL BE DISCUSSED LATER.

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SINGLE AUDIT REPORTS ON THE WEB - PPII

- AUDITORS AND AUDITEES MUST ENSURE REPORTS DO NOT INCLUDE PROTECTED PERSONALLY IDENTIFIABLE INFORMATION (PPII) (200.82 & 200.512(A)(2)).
- AUDITEE MUST SIGN STATEMENT THAT (200.512(B)(1)):
 - REPORTS DO NOT INCLUDE PPII.
 - AUTHORIZES FAC TO MAKE REPORTS PUBLICALLY AVAILABLE ON A WEB SITE.
 - EXCEPTION FOR INDIAN TRIBES AS DEFINED IN 200.54.
 - NO EXCEPTION FOR TRIBAL ORGANIZATION NOT MEETING THE 200.54 DEFINITION.

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EXCEPTION FOR INDIAN TRIBES (200.512(B)(2))

- TRIBAL REPORTS MAY INCLUDE CONFIDENTIAL BUSINESS INFORMATION THAT WOULD BE REDACTED UNDER THE FREEDOM OF INFORMATION ACT.
- MAY ELECT TO NOT AUTHORIZE THE FAC TO MAKE REPORTING PACKAGE PUBLICALLY AVAILABLE ON THE A WEB SITE.
- IF ELECTED, INDIAN TRIBE MUST:
 - SUBMIT REPORTING PACKAGE DIRECTLY TO PASS-THROUGH ENTITIES.
 - MAKE REPORTING PACKAGE AVAILABLE FOR PUBLIC INSPECTION AS REQUIRED BY THE SINGLE AUDIT ACT.

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REVISED DATA COLLECTION FORM (SF-SAC)

- NEW SF-SAC
 - FINAL FORM RELEASED NOVEMBER 19, 2013
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS_FORMS/](http://www.whitehouse.gov/omb/grants_forms/)
 - NEW FORM REPLACES THE CURRENT FORM FOR AUDIT PERIODS ENDING 2013, 2014 AND 2015
- REVISES SOME EXISTING DATA ELEMENTS AND ADDS OTHER DATA ELEMENTS
 - PURPOSE IS TO ALLOW FEDERAL AGENCIES TO IDENTIFY THE TYPES OF AUDIT FINDINGS REPORTED
- DOES ANYONE KNOW WHAT **SF** STANDS FOR??

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NEW 2013 - 2015 DATA COLLECTION FORM ITEMS

- NEW TERMINOLOGY- REPLACE “QUALIFIED” WITH “MODIFIED”
- PAGE 1- AUDITOR’S EIN
- PAGE 2- FEDERAL PROGRAMS
 - REMOVE PART III, ITEM 4, “IS A SIGNIFICANT DEFICIENCY DISCLOSED FOR ANY MAJOR PROGRAM? (§.510(A)(1))”
 - REMOVE PART III, ITEM 5, “IS A MATERIAL WEAKNESS DISCLOSED? (§.510(A)(1))”
 - REMOVE PART III, ITEM 6 “ARE ANY KNOWN QUESTIONED COSTS REPORTED? (§.510(A)(3) OR (4))”
- PAGE 3, FEDERAL AWARDS- ADD LOAN/LOAN GUARANTEE COLUMN
- PAGE 3, FEDERAL AWARDS- ADD “NUMBER OF FINDINGS” FOR EACH FEDERAL AWARD

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NEW 2013 - 2015 FORM ITEMS (CON’T)

- PAGE 3-
 - MOVE TYPE(S) OF COMPLIANCE REQUIREMENT(S) TO NEW PAGE 4
 - MOVE AUDIT FINDING REFERENCE NUMBER(S) TO NEW PAGE 4
- NEW “PAGE 4”- FEDERAL AWARD FINDINGS SUMMARY: FINDING-SPECIFIC
 - STANDARDIZED AUDIT FINDING REFERENCE NUMBERS:
YYYY-###, (EX. 2013-001, 2013-002)
 - TYPE(S) OF COMPLIANCE REQUIREMENTS
 - “TYPE(S) OF DEFICIENCY(IES)”
 - MODIFIED OPINION, OTHER NONCOMPLIANCE, MATERIAL WEAKNESS, SIGNIFICANT DEFICIENCY, OTHER (NINE ALLOWABLE

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FORM SF-SAC (2010 VERSION)

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							10. AUDIT FINDINGS			
CFDA Number		Research and development (c)	ARRA (d)	Name of Federal program (e)	Amount expended (f)	Direct award (g)	Major program (h)		Type(s) of compliance requirement(s) ⁵ (i)	Audit finding reference number(s) ⁶ (j)
Federal Agency Prefix (a)	Extension ² (b)						Major program (h)	If yes, type of audit report ⁴ (i)		
9	3	123	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N	HHS PROGRAM NAME	\$ 500,000.00	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	A	A	ABCDEFH	12-1, 12-2, 12-3
8	4	456	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N	ED PROGRAM NAME	\$ 1,000,000.00	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	D	D	ABCDEF	2012-1, 2012-2
1	0	789	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N	ARRA - AGRICULTURE PROGRAM NAME	\$ 2,525,252.00	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Q	Q	AB	2012-3, 2012-4
8	1	012	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N	ENERGY PROGRAM NAME	\$ 363,636,363.00	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Q	Q	ABC	12-1

- WHICH COMPLIANCE REQUIREMENT IS RELATED TO WHICH FINDING?
- WHICH FINDING CAUSED THE MODIFIED OPINION?
- NON-STANDARD AUDIT FINDING REFERENCE NUMBERS¹¹⁹

FORM SF-SAC (2013 -2015 VERSION)

Federal Agency Prefix	Extension	Name of Federal Program	Amount Expended	R&D	Loan/Loan Guarantee	ARRA	Direct Award	Major Program	If MP, type of audit report	Number of Findings
10	789	ARRA - AGRICULTURE PROGRAM NAME	\$2,525,252	N	N	Y	Y	Y	Q	0
84	456	ED PROGRAM NAME	\$1,000,000	N	N	N	Y	Y	D	0
81	012	ENERGY PROGRAM NAME	\$363,636,363	N	N	N	Y	Y	Q	0
93	123	HHS PROGRAM NAME	\$500,000	N	N	N	Y	Y	A	3

"Federal Awards Findings" Page

Federal Agency Prefix	Extension	Name of Federal Program	Finding Reference No.	Type(s) of Compliance Requirement	Modified Opinion	Other NonCompliance	Material Weakness	Significant Deficiency	Other	Questioned Costs
93	123	HHS PROGRAM NAME	2013-001	ABCE	Y	N	Y	N	N	N
93	123	HHS PROGRAM NAME	2013-002	FGH	N	Y	N	N	N	N
93	123	HHS PROGRAM NAME	2013-003	AC	N	N	N	Y	N	N

Automatically filled from "Federal Awards" Page for each Federal award with findings

- IDENTIFIES THE COMPLIANCE REQUIREMENTS THAT CORRESPOND TO EACH FINDING
- GIVES DETAIL OF HOW EACH FINDING AFFECTED EACH FEDERAL AWARD

REVISED DATA COLLECTION FORM (SF-SAC)

- NEW SF-SAC
 - FINAL FORM RELEASED NOVEMBER 19, 2013
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS_FORMS/](http://www.whitehouse.gov/omb/grants_forms/)
 - NEW FORM REPLACES THE CURRENT FORM FOR AUDIT PERIODS ENDING 2013, 2014 AND 2015
- REVISES SOME EXISTING DATA ELEMENTS AND ADDS OTHER DATA ELEMENTS
 - PURPOSE IS TO ALLOW FEDERAL AGENCIES TO IDENTIFY THE TYPES OF AUDIT FINDINGS REPORTED

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2013 FORM CHANGES

- WHAT'S NEW
 - AUDITOR EIN REQUIRED IN PART I, ITEM 6
 - WAS THE AWARD A LOAN OR LOAN GUARANTEE (Y/N) IN PART III, ITEM 6
 - NUMBER OF FINDINGS ON EACH AWARD REPORTED IN NEW COLUMN PART III, ITEM 6K
 - EACH AUDIT FINDING ON EACH AWARD MUST BE LISTED ON THE NEW "FEDERAL AWARDS FINDINGS" PAGE, PART III, ITEM 7

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ILLUSTRATION OF NEW ITEMS IN PART III: FEDERAL PROGRAMS

FORM SF-SAC		REPORT ID: VERSION:									
PART III: FEDERAL PROGRAMS - Continued											
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR											
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	CFDA Number		Name of Federal program	Amount expended (\$)	Research & Development (Y/N)	Loan/Loan Guarantee (Y/N)	ARRA ³ (Y/N)	Direct award (Y/N)	Major program (Y/N)	MAJOR PROGRAM	
Row Number	Federal Agency Prefix ¹	CFDA Extension ²								Major program	If yes, type of audit report on Major Program ⁴

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2013 FORM CHANGES

- WHAT'S NEW (CONT.)
 - AUDIT FINDINGS MUST BE NUMBERED USING A NEW STANDARD FORMAT
 - FOUR DIGIT AUDIT YEAR, A HYPHEN AND A THREE DIGIT SEQUENCE NUMBER (E.G., 2013-001)
 - REQUESTED FOR AY 2013; REQUIRED FOR AY 2014.
 - AUDIT FINDING REFERENCE NUMBER USED ON SF-SAC SHOULD MATCH THOSE REPORTED IN THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND APPLICABLE AUDITOR'S REPORTS

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2013 FORM CHANGES

- PART III, ITEM 7: FEDERAL AWARDS FINDINGS SUMMARY
 - COLUMNS (A)-(C) ARE AUTOMATICALLY POPULATED BASED ON "NUMBER OF FINDINGS" ON PREVIOUS PAGE
 - EACH AUDIT FINDING DESCRIBED SEPARATELY
 - TYPE OF COMPLIANCE REQUIREMENT
 - TYPE OF FINDING
 - COMPLIANCE FINDING (MODIFIED OPINION OR OTHER MATTERS)
 - INTERNAL CONTROL FINDING (MATERIAL WEAKNESS OR SIGNIFICANT DEFICIENCY)
 - OTHER
 - QUESTIONED COSTS (YES/NO)

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NEW AUDIT FINDING DETAILS

Federal Agency Prefix	CFDA Extension	Name of Federal program	Amount expended (\$)	Research & Development (Y/N)	Loan/Loan Guarantee (Y/N)	ARRA (Y/N)	Direct award (Y/N)	Major program (Y/N)	If yes, Type of audit report on Major Program	Number of Audit Findings
10	789	ARRA- Agriculture Program Name	\$2,525,252	N	N	Y	Y	Y	U	0
84	456	ED Program Name	\$1,000,000	N	N	N	Y	Y	U	0
81	12	Energy Program Name	\$363,636,363	N	N	N	Y	Y	U	0
93	123	HHS Program Name	\$500,000	N	Y	N	Y	Y	U	3

Federal Agency Prefix	CFDA Extension	Name of Federal program	Audit Finding Reference Number (YYYY-###)	Type(s) of Compliance Requirement (s)	Compliance Findings		Internal Control Findings		Other Findings	Questioned Costs
					Modified Opinion (Y/N)	Other Matters (Y/N)	Material Weakness (Y/N)	Significant Deficiency (Y/N)		
93	123	HHS Program Name	2013-001	ABCE	Y	N	N	N	N	N
93	123	HHS Program Name	2013-002	FGH	N	N	Y	N	N	N
93	123	HHS Program Name	2013-003	AC	N	N	Y	N	N	N

Automatically filled from "Federal Awards" Page for each Federal award with findings

- IDENTIFIES THE COMPLIANCE REQUIREMENTS THAT CORRESPOND TO EACH FINDING
- GIVES DETAIL OF HOW EACH FINDING AFFECTED EACH FEDERAL AWARD

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ILLUSTRATION OF PART III, ITEM 7

New Standard Format for 2014 New information for Compliance, Internal Control and Other Findings New Questioned Costs

FORM SF-SAC			REPORT ID:	VERSIO							
Part III: FEDERAL PROGRAMS - Continued											
7. FEDERAL AWARD FINDINGS											
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
Page 3 Row Number	Federal Agency/Prefix	CFDA Extension	Name of Federal program	Audit Finding Reference Number (YYY-###)	Type(s) of Compliance Requirement(s) ²	Compliance Findings ¹		Internal Control Findings ¹		Other Findings ¹	Questioned Costs
						Modified Opinion	Other Matters	Material Weakness	Significant Deficiency		
These columns are populated automatically from Part III, Item 6, columns a, b, and c on rows with findings.											
For each award with findings, one row is created for each finding reported on Part III, Item 6k.											
This page is not required if no findings are reported on Part III, Item 6k.											
											127

2013 FORM CHANGES

- FEDERAL AWARDS FINDINGS SUMMARY
 - 9 VALID COMBINATIONS OF "COMPLIANCE FINDINGS," "INTERNAL CONTROL FINDINGS," AND "OTHER FINDINGS"

	(f)	(g)	(h)	(i)	(j)
	Compliance Findings		Internal Control Findings		Other Findings
	Modified Opinion	Other Matters	Material Weakness	Significant Deficiency	
	(Y/N)	(Y/N)	(Y/N)	(Y/N)	(Y/N)
1	Y	N	N	N	N
2	Y	N	Y	N	N
3	Y	N	N	Y	N
4	N	Y	N	N	N
5	N	Y	Y	N	N
6	N	Y	N	Y	N
7	N	N	Y	N	N
8	N	N	N	Y	N
9	N	N	N	N	Y

SUBMISSION TO FAC – PDF REQUIREMENTS

- AY 2014 AUDITS MUST BE:
 - UNLOCKED
 - UNENCRYPTED TO ALLOW COPYING AND PASTING
 - 85% OF PAGES MUST BE TEXT-SEARCHABLE (I.E., DON'T SCAN!)
- WILL ALLOW FEDERAL AGENCIES TO ANALYZE FINDINGS ELECTRONICALLY

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REPORTING PACKAGE CHANGES

- NO MORE SCAN AND SEND STARTING WITH 2014 SUBMISSIONS
 - FILES MUST BE TEXT SEARCHABLE, ACCESSIBLE, NOT PASSWORD PROTECTED PDFS
 - DO NOT SEND CAFRS WITH PICTURES – FILE MAY BE REJECTED
 - AUDIT SIGNATURES WILL NEED TO BE CONSIDERED = *LEAP OF FAITH...*

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FAC REPOSITORY OF RECORD FOR REPORTING PACKAGES (200.36 & 200.512(B))

- FEDERAL AGENCIES, PASS-THROUGH ENTITIES, AND OTHERS OBTAIN COPIES BY ACCESSING FAC WEBSITE.
- SUBRECIPIENT ONLY REQUIRED TO SUBMIT REPORT TO FAC AND NO LONGER REQUIRED TO SUBMIT TO PASS-THROUGH ENTITY.
- PASS-THROUGH ENTITY NO LONGER REQUIRED TO RETAIN COPY OF SUBRECIPIENT REPORT AS AVAILABLE ON THE WEB.

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SINGLE AUDIT ACCOUNTABLE OFFICIAL (200.513(C)(5))

- ENSURE AGENCY EFFECTIVELY USES THE SINGLE AUDIT PROCESS.
- DEVELOP A BASELINE, METRICS, AND TARGETS TO TRACK, OVER TIME, THE EFFECTIVENESS OF:
 - THE AGENCY'S PROCESS TO FOLLOW-UP ON AUDIT FINDINGS.
 - SINGLE AUDITS IN:
 - IMPROVING NON-FEDERAL ENTITY ACCOUNTABILITY FOR FEDERAL AWARDS.
 - USE BY THE AGENCY IN MAKING AWARD DECISIONS.
- DESIGNATE THE AGENCY'S KEY MANAGEMENT SINGLE AUDIT LIAISON.

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AGENCY KEY MANAGEMENT SINGLE AUDIT LIAISON (200.513(C)(6))

- AGENCY MANAGEMENT'S POINT OF CONTACT FOR SINGLE AUDIT.
- PROMOTE INTERAGENCY COORDINATION.
- OVERSEE TRAINING FOR AGENCY'S PROGRAM MANAGEMENT PERSONNEL RELATED TO THE SINGLE AUDIT PROCESS.
- PROMOTE USE OF COOPERATIVE AUDIT RESOLUTION.
- COORDINATE AGENCY'S AUDIT FOLLOW-UP TO ENSURE TIMELY CORRECTIVE ACTION ON AUDIT FINDINGS.
- ORGANIZE COGNIZANT AGENCY FOR AUDIT FOLLOW-UP.
- ENSURE AGENCY PROVIDES ANNUAL UPDATES TO THE COMPLIANCE SUPPLEMENT.
- SUPPORT THE SENIOR AUDIT ACCOUNTABLE OFFICIAL.

133

COOPERATIVE AUDIT RESOLUTION

200.513(c)(3)(iii) Responsibilities encourages Federal awarding agencies to make effective use of cooperative audit resolution practices in order to reduce repeat audit findings.

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COOPERATIVE AUDIT RESOLUTION (200.25)

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COOPERATIVE AUDIT RESOLUTION MEANS THE USE OF AUDIT FOLLOW-UP TECHNIQUES WHICH PROMOTE PROMPT CORRECTIVE ACTION BY IMPROVING COMMUNICATION, FOSTERING COLLABORATION, PROMOTING TRUST, AND DEVELOPING AN UNDERSTANDING BETWEEN THE FEDERAL AGENCY AND THE NON-FEDERAL ENTITY. THIS APPROACH IS BASED UPON:

- (A) A STRONG COMMITMENT BY FEDERAL AGENCY AND NON-FEDERAL ENTITY LEADERSHIP TO PROGRAM INTEGRITY;
- (B) FEDERAL AGENCIES STRENGTHENING PARTNERSHIPS AND WORKING COOPERATIVELY WITH NON-FEDERAL ENTITIES AND THEIR AUDITORS; AND NON-FEDERAL ENTITIES AND THEIR AUDITORS WORKING COOPERATIVELY WITH FEDERAL AGENCIES;
- (C) A FOCUS ON CURRENT CONDITIONS AND CORRECTIVE ACTION GOING FORWARD;
- (D) FEDERAL AGENCIES OFFERING APPROPRIATE RELIEF FOR PAST NONCOMPLIANCE WHEN AUDITS SHOW PROMPT CORRECTIVE ACTION HAS OCCURRED; AND
- (E) FEDERAL AGENCY LEADERSHIP SENDING A CLEAR MESSAGE THAT CONTINUED

APPENDIX XI - COMPLIANCE SUPPLEMENT

WHILE MOST COMMENTERS WERE IN FAVOR OF THE PROPOSED REDUCTION OF THE NUMBER OF TYPES OF COMPLIANCE REQUIREMENTS, MANY VOICED CONCERN ABOUT THE PROCESS TO IMPLEMENT SUCH CHANGES. COMMENTS QUESTIONED WHETHER FEDERAL AGENCIES ADDING BACK PROVISIONS UNDER SPECIAL TESTS AND PROVISIONS WOULD RESULT IN INCREASED ADMINISTRATIVE BURDEN.

SINCE THE SUPPLEMENT IS PUBLISHED AS PART OF A SEPARATE PROCESS, THE COFAR RECOMMENDED THAT ANY FUTURE CHANGES TO ITS STRUCTURE BE BASED ON AVAILABLE EVIDENCE OF IMPACT ON PAST FINDINGS AND INCLUDE FURTHER PUBLIC OUTREACH TO MITIGATE POTENTIAL RISKS OF AN INADVERTENT INCREASE IN ADMINISTRATIVE BURDEN.

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COMPLIANCE SUPPLEMENT

- SUPPLEMENT IS PUBLISHED AS SEPARATE PROCESS SO THE FINAL CHANGES ARE NOT INCLUDED IN THE GUIDANCE.
- FUTURE CHANGES WILL BE BASED ON AVAILABLE EVIDENCE OF PAST AUDIT FINDINGS & POTENTIAL IMPACT OF NON-COMPLIANCE.
- FURTHER PUBLIC OUTREACH WILL BE CONDUCTED PRIOR TO MAKING STRUCTURAL CHANGES TO SUPPLEMENT FORMAT.
 - 2014 SUPPLEMENT WILL PREVIEW THE IMPLEMENTATION OF CHANGES.
 - CHANGES WILL NOT BE EFFECTIVE UNTIL THE 2015 SUPPLEMENT.
 - **2014 SUPPLEMENT EXPECTED IN APRIL 2014.**

137

AUDIT FINDINGS (200.516)

- INCREASES THE THRESHOLD FOR REPORTING KNOWN AND LIKELY QUESTIONED COSTS FROM \$10,000 TO \$25,000 (200.516(A)(3) & (4)).
- REQUIRES THAT QUESTIONED COSTS BE IDENTIFIED BY CFDA NUMBER AND APPLICABLE AWARD NUMBER (200.516(B)(6)).
- REQUIRES IDENTIFICATION OF WHETHER AUDIT FINDING IS A REPEAT FROM THE IMMEDIATELY PRIOR AUDIT AND IF SO THE PRIOR YEAR AUDIT FINDING NUMBER (200.516(B)(8)).
- PROVIDES THAT AUDIT FINDING NUMBERS BE IN THE FORMAT PRESCRIBED BY THE DATA COLLECTION FORM (200.516(C)).

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ADDITIONAL AUDIT REQUIREMENTS

- LIST OF PROGRAM SPECIFIC AUDIT GUIDES WILL BE PROVIDED BEGINNING WITH THE 2014 SUPPLEMENT INCLUDING (200.517(A)):
 - AGENCY CONTACT INFORMATION.
 - WEB SITE WHERE COPY OF GUIDE IS AVAILABLE.
- CLARIFIED THAT IF REPORT DUE DATE IS ON A SATURDAY, SUNDAY, OR FEDERAL LEGAL HOLIDAY, REPORT SUBMISSION IS DUE THE NEXT BUSINESS DAY (200.512(A)).
- PROVIDES FOR A GOVERNMENT-WIDE AUDIT QUALITY PROJECT ONCE EVERY 6 YEARS BEGINNING IN 2018 (200.513(A)(3)(II)).
- MADE TECHNICAL EDITS TO ALIGN WITH CURRENT AUDITING STANDARDS.

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ADDITIONAL AUDIT REQUIREMENTS – FUTURE CHANGES

- INCLUDED LANGUAGE TO ALLOW FOR FUTURE COMBINING OF THE AUDIT REPORTING AND THE DATA COLLECTION FORM IF PERMITTED UNDER AUDITING STANDARDS AND THE APPROVED FAC DATA COLLECTION (200.515(E)).
- SINGLE AUDIT RESOLUTION PROJECT CURRENTLY UNDER SUPERVISION OF COFAR IS AIMED AT IMPROVING COORDINATION FOR CROSS-CUTTING FINDINGS AND IMPROVING TRANSPARENCY OF MANAGEMENT DECISIONS.

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EFFECTIVE DATE FOR AUDIT REQUIREMENTS (200.110(B))

- SUBPART F WILL BE EFFECTIVE FOR NON-FEDERAL ENTITY FISCAL YEARS (FY) OR BIENNIAL PERIODS BEGINNING ON OR AFTER DECEMBER 26, 2014.
- FIRST YEAR EXAMPLES:
 - FY BEGINNING JANUARY 1, 2015 AND ENDING DECEMBER 31, 2015, OR
 - JULY 1, 2015 TO JUNE 30, 2016.
 - BIENNIAL PERIOD BEGINNING JANUARY 1, 2015 AND ENDING DECEMBER 31, 2017.
- EARLY IMPLEMENTATION OF SUBPART F IS **NOT** PERMITTED.

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AUDIT REQUIREMENTS

QUESTIONS??

142

ADMINISTRATIVE REQUIREMENTS

REFORMS TO A-102,
CIRCULAR A-110, AND
CIRCULAR A-89

January 27, 2014

UNIFORM ADMINISTRATIVE REQUIREMENTS,
AUDIT REQUIREMENTS, AND COST
PRINCIPLES

2 CFR CHAPTER 1, CHAPTER 2, PART 200,
ET AL.

January 27, 2014

REFORMS TO ADMINISTRATIVE REQUIREMENTS (THE COMMON RULE IMPLEMENTING CIRCULAR A-102); CIRCULAR A-110; AND CIRCULAR A-89

- The section highlights changes to the governmentwide common rule implementing Circular A-102 on Grants and Cooperative Agreements with State and Local Governments; Circular A-110 on Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (2 CFR part 215); and Circular A-89 on Catalog of Federal Domestic Assistance
- The following are major changes included in the final guidance

145

SUBPART A: ACRONYMS & DEFINITIONS

- 200.0, ACRONYMS
- ACRONYMS ARE AT THE BEGINNING
- 200.1 – 200.99, DEFINITIONS
- THE 99 DEFINITIONS ARE IN SEPARATE SECTIONS (AND THEREFORE ARE LISTED IN THE INDEX)
- TERMS ARE BROAD TO ENCOMPASS ALL REQUIREMENTS (ADMINISTRATIVE, COST PRINCIPLES, AUDIT) AND ALL TYPES OF ENTITIES RECEIVING FEDERAL AWARDS

146

KEY DEFINITIONS

- 200.38, **FEDERAL AWARD** (DEPENDING ON THE CONTEXT, MEANS THE \$ OR THE DOCUMENT)
- 200.40, **FEDERAL FINANCIAL ASSISTANCE** (NO CHANGE IN MEANING FROM PREVIOUS DEFINITIONS FOR ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS)
- 200.69, **NON-FEDERAL ENTITY** (STATE, LOCAL GOVERNMENT, INDIAN TRIBE, INSTITUTION OF HIGHER EDUCATION, OR NONPROFIT THAT IS THE RECIPIENT OR SUBRECIPIENT)
- 200.74, **PASS-THROUGH ENTITY** (NON-FEDERAL ENTITY THAT SUBAWARDS TO A SUBRECIPIENT)
- 200.90, **STATE** NO LONGER INCLUDES **INDIAN TRIBE** (200.54)
 - NO EFFECT ON FUNDING BECAUSE ELIGIBLE APPLICANTS ARE BASED ON THE FEDERAL PROGRAM, NOT PART 200

147

DEFINITIONS – SUBRECIPIENT AND CONTRACTOR

- 200.93, **SUBRECIPIENT**
- *SUBRECIPIENT* MEANS A NON-FEDERAL ENTITY THAT RECEIVES A SUBAWARD FROM A PASS-THROUGH ENTITY TO CARRY OUT PART OF A FEDERAL PROGRAM
- 200.23, **CONTRACTOR** IS USED RATHER THAN “VENDOR” (USED IN A-133)
- *CONTRACTOR* MEANS AN ENTITY THAT RECEIVES A CONTRACT AS DEFINED IN 200.22 CONTRACT
- LOOK AT THE NATURE OF THE RELATIONSHIP RATHER THAN WHAT THE AGREEMENT IS CALLED; SEE 200.330

148

SUBPART B: GENERAL PROVISIONS

- 200.100, PURPOSE: 2 CFR PART 200 ESTABLISHES UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR ALL TYPES OF NON-FEDERAL ENTITIES
- FEDERAL AWARDING AGENCIES MUST NOT IMPOSE ADDITIONAL OR INCONSISTENT REQUIREMENTS, UNLESS
 - REQUIREMENT BASED ON FEDERAL STATUTE, REGULATION, OR EXECUTIVE ORDER,
 - OMB PERMITS AN EXCEPTION IN ACCORDANCE WITH 200.102, OR
 - OMB APPROVES INFORMATION IN THE FEDERAL AWARD IN ACCORDANCE WITH 200.210

149

“SHOULD” VS “MUST”

- THROUGHOUT, BOTH “SHOULD” AND “MUST” ARE USED
- “MUST” MEANS “REQUIRED”
- “SHOULD” INDICATES BEST PRACTICES OR RECOMMENDED APPROACH

150

APPLICABILITY

- 200.101 APPLICABILITY: DESCRIBES THE APPLICABILITY OF EACH SUBPARTS TO TYPES OF FEDERAL AWARDS
- A TABLE IS INCLUDED, BUT MUST BE READ ALONG WITH THE ENTIRE APPLICABILITY SECTION
- THE FEDERAL AWARDING AGENCY WILL DETERMINE APPLICABILITY AND STATE THE APPLICABLE REQUIREMENTS IN THE TERMS AND CONDITIONS OF THE FEDERAL AWARD
- LIKEWISE, THE PASS-THROUGH ENTITY MUST STATE THE APPLICABLE REQUIREMENTS FOR ITS SUBRECIPIENTS IN THE TERMS AND CONDITION OF EACH SUBAWARD

151

EXCEPTIONS

- 200.102, EXCEPTIONS
 - NO EXCEPTIONS FROM ANY AUDIT REQUIREMENTS
 - ONLY OMB MAY ALLOW EXCEPTIONS FOR CLASSES OF FEDERAL AWARDS OR NON-FEDERAL ENTITIES, BUT
 - IN THE INTEREST OF MAXIMUM UNIFORMITY, OMB WILL PERMIT EXCEPTIONS ONLY IN UNUSUAL CIRCUMSTANCES
 - EXCEPTIONS (INDIRECT COSTS) ON A CASE-BY-CASE BASIS MAY BE AUTHORIZED BY THE FEDERAL AWARDING AGENCY
 - THE FEDERAL AWARDING AGENCY MAY APPLY MORE RESTRICTIVE REQUIREMENTS WHEN APPROVED BY OMB, OR REQUIRED BY FEDERAL STATUTES OR REGULATIONS
 - IF YOU HAVE QUESTIONS ABOUT YOUR AWARD, CONTACT THE FEDERAL AWARDING AGENCY

152

IMPLEMENTATION/EFFECTIVE DATE

- 200.110, EFFECTIVE/APPLICABILITY DATE
- FEDERAL AGENCIES MUST IMPLEMENT THE REQUIREMENTS TO BE EFFECTIVE BY DECEMBER 26, 2014
- AUDIT REQUIREMENTS WILL APPLY TO AUDITS OF FISCAL YEARS BEGINNING ON OR AFTER DECEMBER 26, 2014
- ADMINISTRATIVE REQUIREMENTS AND COST PRINCIPLES WILL APPLY TO **NEW** AWARDS AND TO ADDITIONAL FUNDING (FUNDING INCREMENTS) TO EXISTING AWARDS MADE AFTER DEC 26.
- **EXISTING** FEDERAL AWARDS WILL CONTINUE TO BE GOVERNED BY THE TERMS AND CONDITIONS OF THE FEDERAL AWARD, EXCEPT FOR AUDIT AS SUBPART F WILL BE EFFECTIVE FOR FISCAL YEARS BEGINNING ON OR AFTER DECEMBER 26, 2014 (I.E.,¹⁵³ 1/1/15 OR JULY 1, 2015).

CONFLICT OF INTEREST & MANDATORY DISCLOSURES

- **TWO NEW REQUIREMENTS THAT STRENGTHEN OVERSIGHT:**
 - 200.112, CONFLICT OF INTEREST
THE FEDERAL AWARDING AGENCY MUST ESTABLISH CONFLICT OF INTEREST POLICIES FOR THEIR FEDERAL AWARDS
THE NON-FEDERAL ENTITY MUST DISCLOSE IN WRITING ANY POTENTIAL CONFLICT OF INTEREST TO THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) IN ACCORDANCE WITH APPLICABLE FEDERAL AWARDING AGENCY POLICY
 - 200.113, MANDATORY DISCLOSURES
NON-FEDERAL ENTITIES (AND APPLICANTS) MUST DISCLOSE ALL VIOLATIONS OF FEDERAL CRIMINAL LAW INVOLVING FRAUD, BRIBERY, OR GRATUITY VIOLATIONS POTENTIALLY AFFECTING THE FEDERAL AWARD

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SUBPART C: PRE-FEDERAL AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS

SECTIONS HIGHLIGHTED:

200.201, USE OF GRANT AGREEMENTS, COOPERATIVE AGREEMENTS & CONTRACTS

200.203, NOTICES OF FUNDING OPPORTUNITIES

200.204, FEDERAL AGENCY REVIEW OF MERIT

200.205, FEDERAL AGENCY REVIEW OF RISK

200.206, STANDARD APPLICATION REQUIREMENTS

200.210, INFORMATION CONTAINED IN A FEDERAL AWARD

155

USE OF GRANT AGREEMENTS, COOPERATIVE AGREEMENTS & CONTRACTS

- 200.201, USE OF GRANT AGREEMENTS (INCLUDING FIXED AMOUNT AWARDS), COOPERATIVE AGREEMENTS, AND CONTRACTS:
 - FEDERAL AWARDED AGENCIES MUST DETERMINE APPROPRIATE AWARD INSTRUMENT
 - INCORPORATES NEW COVERAGE ON **FIXED** AMOUNT AWARDS:
 - PAYMENTS ARE BASED ON MEETING SPECIFIC REQUIREMENTS OF THE FEDERAL AWARD
 - ACCOUNTABILITY IS BASED ON PERFORMANCE AND RESULTS
 - AWARD AMOUNT IS NEGOTIATED USING COST PRINCIPLES AS A GUIDE
 - NO GOVERNMENTAL REVIEW OF THE ACTUAL COSTS INCURRED
 - CHANGES (I.E., PRINCIPAL INVESTIGATOR, PROJECT PARTNER OR SCOPE) MUST RECEIVE PRIOR AWARDED AGENCY WRITTEN APPROVAL

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NOTICES OF FUNDING OPPORTUNITIES

- 200.203, NOTICES OF FUNDING OPPORTUNITIES:
 - NOTICE OF THE FUNDING OPPORTUNITY
 - FOR **COMPETITIVE** GRANTS AND COOPERATIVE AGREEMENTS, FEDERAL AWARDING AGENCIES MUST ANNOUNCE SPECIFIC FUNDING OPPORTUNITIES BY POSTING A PUBLIC NOTICE ON THE OMB-DESIGNATED GOVERNMENTWIDE WEB SITE
 - SPECIFIES A SET OF SIX DATA ELEMENTS THAT MUST BE INCLUDED IN THE PUBLIC NOTICE

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NOTICES OF FUNDING OPPORTUNITIES (CONT'D)

- FULL TEXT OF FUNDING OPPORTUNITIES
 - IDENTIFIES REQUIRED INFORMATION THAT MUST BE INCLUDED IN THE FULL TEXT OF EACH FEDERAL FUNDING OPPORTUNITY
 - DETAILED INSTRUCTIONS FOR THE FULL TEXT OF THE NOTICE OF FUNDING OPPORTUNITY IS INCLUDED IN APPENDIX 1.
 - THIS COVERAGE WAS ORIGINALLY PUBLISHED BY OMB AT 68 FR 58146 (OCTOBER 8, 2003)
- ESTABLISHES MINIMUM TIMEFRAMES FEDERAL AWARDING AGENCIES MUST GENERALLY MAKE ALL FUNDING OPPORTUNITIES AVAILABLE FOR APPLICATION (GENERALLY AT LEAST 60 DAYS)

158

FEDERAL AGENCY REVIEW OF MERIT

- 200.204, FEDERAL AWARDING AGENCY REVIEW OF MERIT OF PROPOSALS:
 - **NEW REQUIREMENT**
 - FOR **COMPETITIVE** GRANTS OR COOPERATIVE AGREEMENTS, FEDERAL AWARDING AGENCIES MUST DESIGN AND EXECUTE A **MERIT** REVIEW PROCESS FOR APPLICATIONS
 - PROCESS MUST BE DESCRIBED (OR INCORPORATED BY REFERENCE) IN FUNDING OPPORTUNITY

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FEDERAL AGENCY REVIEW OF RISK

- 200.205, FEDERAL AWARDING AGENCY REVIEW OF RISK POSED BY APPLICANTS:
 - IN ADDITION TO USE OF THE OMB-DESIGNATED REPOSITORIES OF GOVERNMENT-WIDE ELIGIBILITY INFORMATION, FEDERAL AWARDING AGENCIES **MUST HAVE A FRAMEWORK FOR EVALUATING THE RISKS POSED BY APPLICANTS PRIOR TO RECEIPT OF A FEDERAL AWARD**
 - ITEMS THAT MAY BE CONSIDERED BY FEDERAL AWARDING AGENCIES INCLUDE:
 - FINANCIAL STABILITY
 - QUALITY OF MANAGEMENT SYSTEMS
 - HISTORY OF PERFORMANCE
 - REPORTS AND FINDINGS FROM AUDITS PERFORMED UNDER SUBPART F
 - APPLICANT'S ABILITY TO EFFECTIVELY IMPLEMENT STATUTORY, REGULATORY OR OTHER REQUIREMENTS

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FEDERAL AGENCY REVIEW OF RISK (CONT'D)

- SPECIAL CONDITIONS THAT CORRESPOND TO THE DEGREE OF RISK MAY BE APPLIED, IF APPROPRIATE (SEE **200.207**, SPECIAL CONDITIONS.)
- FEDERAL AWARDING AGENCIES MUST CONTINUE TO COMPLY WITH THE GUIDELINES ON GOVERNMENTWIDE SUSPENSION AND DEBARMENT AND MUST REQUIRE NON-FEDERAL ENTITIES TO COMPLY WITH THESE PROVISIONS

161

STANDARD APPLICATION REQUIREMENTS

- 200.206, STANDARD APPLICATION REQUIREMENTS:
 - REQUIRES FEDERAL AWARDING AGENCIES TO USE OMB-APPROVED APPLICATION STANDARD INFORMATION COLLECTIONS TO SOLICIT APPLICATIONS
 - USE OF STANDARD OMB-APPROVED COLLECTIONS IS A CONSISTENT THEME THROUGHOUT 2 CFR 200
 - CURRENTLY APPROVED OMB GRANTS MANAGEMENT FORMS (AND FORMATS) ARE AVAILABLE ON THE OMB WEB SITE AT:
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS STANDARD REPORT FORMS/](http://www.whitehouse.gov/omb/grants_standard_report_forms/)

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INFORMATION CONTAINED IN A FEDERAL AWARD

- 200.210, INFORMATION CONTAINED IN A FEDERAL AWARD:
 - PROVIDES A STANDARD SET OF **15 DATA ELEMENTS WHICH MUST BE PROVIDED** IN ALL FEDERAL AWARDS
 - IDENTIFIES COVERAGE WHICH MUST BE INCLUDED IN THE GENERAL TERMS AND CONDITIONS
 - PROVIDES GUIDANCE ON FEDERAL AWARDING AGENCY, PROGRAM, OR AWARD SPECIFIC TERMS AND CONDITIONS
 - REQUIRES FEDERAL AWARDING AGENCIES TO INCLUDE AN INDICATION OF THE TIMING AND SCOPE OF EXPECTED PERFORMANCE AS RELATED TO THE OUTCOMES INTENDED TO BE ACHIEVED
 - IN SOME INSTANCES, (E.G., DISCRETIONARY RESEARCH AWARDS) THIS MAY BE LIMITED TO SUBMISSION OF TECHNICAL PERFORMANCE REPORTS

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SUBPART D: POST FEDERAL AWARD REQUIREMENTS STANDARDS FOR FINANCIAL AND PROGRAM MANAGEMENT

SECTIONS HIGHLIGHTED:

- 200.301, PERFORMANCE MANAGEMENT**
- 200.303, INTERNAL CONTROLS**
- 200.305, PAYMENTS**
- 200.306, COST SHARING OR MATCHING**
- 200.309, PERIOD OF PERFORMANCE**
- 200.313, EQUIPMENT**
- 200.314, SUPPLIES**
- 200.315, INTANGIBLE PROPERTY**

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SUBPART D: POST FEDERAL AWARD REQUIREMENTS STANDARDS FOR FINANCIAL AND PROGRAM MANAGEMENT

SECTIONS HIGHLIGHTED (CONT'D):

200.317-326	PROCUREMENT STANDARDS
200.327,	FINANCIAL REPORTING
200.328,	MONITORING AND REPORTING PROGRAM PERFORMANCE
200.329,	REPORTING ON REAL PROPERTY
200.330-332	SUBRECIPIENT MONITORING & MANAGEMENT
200.333,	RETENTION REQUIREMENTS FOR RECORDS
200.335,	METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION
200.338-342	REMEDIES FOR NONCOMPLIANCE
200.343	CLOSEOUT

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PERFORMANCE MANAGEMENT

- **200.301, PERFORMANCE MANAGEMENT:**
 - **PROVIDES MORE ROBUST GUIDANCE TO FEDERAL AGENCIES TO MEASURE PERFORMANCE** IN A WAY THAT WILL HELP THE FEDERAL AWARDING AGENCY AND OTHER NON-FEDERAL ENTITIES TO IMPROVE PROGRAM OUTCOMES, SHARE LESSONS LEARNED, AND SPREAD THE ADOPTION OF PROMISING PRACTICES.
 - FEDERAL AWARDING AGENCIES MUST REQUIRE RECIPIENTS TO USE OMB-APPROVED STANDARD GOVERNMENT-WIDE INFORMATION COLLECTIONS TO PROVIDE FINANCIAL AND PERFORMANCE INFORMATION.
 - **RECIPIENTS MUST BE REQUIRED TO RELATE FINANCIAL DATA TO PERFORMANCE ACCOMPLISHMENTS, AND MUST ALSO PROVIDE COST INFORMATION (WHEN APPLICABLE) TO DEMONSTRATE COST EFFECTIVE PRACTICES.**

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PERFORMANCE MANAGEMENT (CONT'D)

- AS DISCUSSED IN MORE DETAIL IN 200.328, FOR THE RESEARCH COMMUNITY, WHERE THERE IS A STANDARD OMB-APPROVED INFORMATION COLLECTION FOR PERFORMANCE (I.E., THE RESEARCH PERFORMANCE PROGRESS REPORT) THAT DOES NOT RELATE FINANCIAL INFORMATION TO PERFORMANCE DATA, THERE IS NO SUCH REQUIREMENT
- **THE FEDERAL AWARDING AGENCIES ARE REQUIRED TO PROVIDE RECIPIENTS WITH CLEAR PERFORMANCE GOALS, INDICATORS, AND MILESTONES**

167

INTERNAL CONTROLS

200.303, INTERNAL CONTROLS. FOR FEDERAL AWARDS, NON-FEDERAL ENTITIES MUST:

- MOVED FROM OMB CIRCULAR A-133
 - **ESTABLISH AND MAINTAIN EFFECTIVE INTERNAL CONTROLS (IN COMPLIANCE WITH COSO AND GAO GREENBOOK)**
 - COMPLY WITH FEDERAL STATUTES, REGULATIONS, & TERMS AND CONDITIONS
 - EVALUATE AND MONITOR COMPLIANCE
 - TAKE PROMPT ACTION ON AUDIT FINDINGS
 - **SAFEGUARD PROTECTED PERSONALLY IDENTIFIABLE INFORMATION**

168

PAYMENTS

- 200.305, PAYMENTS:
 - PAYMENTS TO STATES ARE GOVERNED BY TREASURY-STATE CMIA AGREEMENTS CODIFIED AT 31 CFR PART 205
 - COVERAGE LARGELY REPLICATES EXISTING PAYMENT COVERAGE FROM OMB CIRCULAR A-110
 - EXTENDS TO NON-FEDERAL ENTITIES PREVIOUSLY COVERED BY OMB CIRCULAR A-102 THE EXISTING FLEXIBILITY IN OMB CIRCULAR A-110 TO PAY INTEREST EARNED ON FEDERAL FUNDS ANNUALLY TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, RATHER THAN “PROMPTLY” TO EACH FEDERAL AWARDING AGENCY
 - **INTEREST AMOUNTS UP TO \$500 PER YEAR MAY BE RETAINED BY THE NON-FEDERAL ENTITY FOR ADMINISTRATIVE EXPENSES**

169

COST SHARING OR MATCHING

- 200.306, COST SHARING OR MATCHING:
 - CLARIFIES POLICIES ON VOLUNTARY COMMITTED COST SHARING
 - STIPULATES THAT VOLUNTARY COMMITTED COST SHARING IS NOT EXPECTED UNDER FEDERAL RESEARCH PROPOSALS AND CANNOT BE USED AS A FACTOR DURING THE MERIT REVIEW OF THE PROPOSAL
 - COST SHARING MAY ONLY BE CONSIDERED WHEN REQUIRED BY REGULATION AND TRANSPARENT IN THE NOTICE OF FUNDING OPPORTUNITY

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COST SHARING OR MATCHING (CONT'D)

- ONLY MANDATORY COST SHARING OR COST SHARING INCLUDED ON THE PROJECT BUDGET MUST BE INCLUDED IN THE ORGANIZED RESEARCH BASE FOR COMPUTING THE INDIRECT COST RATE OR REFLECTED IN THE ALLOCATION OF INDIRECT COSTS
 - OMB MEMORANDUM 01-06, CLARIFICATION OF OMB A-21 TREATMENT OF VOLUNTARY UNCOMMITTED COST SHARING AND TUITION REMISSION COSTS CONTINUES TO APPLY.
 - SEE: [HTTP://WWW.WHITEHOUSE.GOV/OMB/MEMORANDA_M01-06](http://www.whitehouse.gov/omb/memoranda_m01-06)
- VALUATION OF COST SHARING REMAINS LARGELY UNCHANGED FROM OMB CIRCULAR A-110

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PERIOD OF PERFORMANCE

- 200.309, PERIOD OF PERFORMANCE
 - NON-FEDERAL ENTITIES MAY CHARGE TO FEDERAL AWARDS ONLY ALLOWABLE COSTS INCURRED DURING THE PERIOD OF PERFORMANCE AND ANY COSTS INCURRED BEFORE THE FEDERAL AWARDING AGENCY OR PASS-THROUGH ENTITY MADE THE FEDERAL AWARD THAT WERE AUTHORIZED BY THE FEDERAL AWARDING AGENCY OR PASS THROUGH ENTITY
 - FEDERAL AWARDING AGENCIES MAY AUTHORIZE NO-COST EXTENSIONS OF THE PERIOD OF PERFORMANCE (SEE ALSO 200.308, REVISION OF BUDGET AND PROGRAM PLANS)

172

PROPERTY STANDARDS & EQUIPMENT

- COVERAGE IN PROPERTY STANDARDS (SECTIONS 200.310-200.316) LARGELY DERIVED FROM EXISTING COVERAGE IN A-110
- **MAJOR EXCEPTION IS 200.313, EQUIPMENT**
 - STATES MUST USE, MANAGE, AND DISPOSE OF EQUIPMENT ACQUIRED UNDER A FEDERAL AWARD IN ACCORDANCE WITH STATE LAWS AND PROCEDURES
 - OTHER NON-FEDERAL ENTITIES MUST FOLLOW THE REQUIREMENTS SPECIFIED

173

SUPPLIES & INTANGIBLE PROPERTY

- 200.314, SUPPLIES:
 - THE DEFINITION OF SUPPLIES IN EXISTING GUIDANCE INCLUDES ALL TANGIBLE PERSONAL PROPERTY THAT FALL BELOW THE THRESHOLD FOR EQUIPMENT. SINCE, AS TECHNOLOGY IMPROVES, **COMPUTING DEVICES** (INCLUSIVE OF ACCESSORIES) INCREASINGLY FALL BELOW THIS THRESHOLD, THE GUIDANCE MAKES EXPLICIT THAT WHEN THEY DO, THEY **SHALL BE TREATED CONSISTENTLY WITH ALL OTHER ITEMS BELOW THIS LEVEL. SEE 200.94, DEFINITION OF "SUPPLIES". (LESS THAN \$5,000 OR CAPITALIZATION THRESHOLD REGARDLESS OF USEFUL LIFE)**
- 200.315, INTANGIBLE PROPERTY:
 - CONTENT OF 200.315 IS LARGELY FROM OMB CIRCULAR A-110, HOWEVER, THE SECTION HAS BEEN REORGANIZED FOR READABILITY AND CLARITY

174

PROCUREMENT STANDARDS

- THE PROCUREMENT STANDARDS (IN SECTIONS 200.317 THROUGH 200.326) ARE GENERALLY BASED ON THE REQUIREMENTS IN A-102 FOR STATES, LOCAL GOVERNMENTS AND INDIAN TRIBES, WITH MODIFICATIONS
- **STATES USE THEIR OWN POLICIES AND PROCEDURES**
- **ALL OTHER NON-FEDERAL ENTITIES, INCLUDING SUBRECIPIENTS OF A STATE, MUST HAVE AND FOLLOW WRITTEN PROCUREMENT PROCEDURES THAT REFLECT THE PROCUREMENT STANDARDS**

175

GENERAL PROCUREMENT REQUIREMENTS

- THE NON-FEDERAL ENTITY MUST MAINTAIN OVERSIGHT TO ENSURE THAT CONTRACTORS PERFORM IN ACCORDANCE WITH THE TERMS, CONDITIONS, AND SPECIFICATIONS OF THE CONTRACT OR PURCHASE ORDER
- THE NON-FEDERAL ENTITY IS NOT REQUIRED TO MAINTAIN A CONTRACT ADMINISTRATION SYSTEM
- HOW THE NON-FEDERAL ENTITY MAINTAINS OVERSIGHT IS A MATTER OF JUDGMENT FOR THE NON-FEDERAL ENTITY

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PROCUREMENT: STANDARDS OF CONDUCT

- 200.318(C)(1) **THE NON-FEDERAL ENTITY MUST MAINTAIN WRITTEN STANDARDS OF CONDUCT COVERING CONFLICTS OF INTEREST AND GOVERNING THE PERFORMANCE OF ITS EMPLOYEES ENGAGED IN THE SELECTION, AWARD, AND ADMINISTRATION OF CONTRACTS**
- 200.318(C)(2) NEW PROVISION THAT COVERS ORGANIZATIONAL CONFLICT OF INTEREST
- IF THE NON-FEDERAL ENTITY HAS A PARENT, AFFILIATE, OR SUBSIDIARY ORGANIZATION (THAT IS NOT A STATE, LOCAL GOVERNMENT, OR INDIAN TRIBE), THE NON-FEDERAL ENTITY MUST ALSO MAINTAIN WRITTEN STANDARDS OF CONDUCT COVERING ORGANIZATIONAL CONFLICTS OF INTEREST

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PROCUREMENT: STANDARDS OF CONDUCT (CONT'D)

- 200.318(D) THE NON-FEDERAL ENTITY'S PROCEDURES MUST AVOID ACQUISITION OF UNNECESSARY OR DUPLICATIVE ITEMS
- 200.318(E) TO FOSTER GREATER ECONOMY AND EFFICIENCY AND TO PROMOTE COST-EFFECTIVE USE OF SHARED SERVICES, THE NON-FEDERAL ENTITY IS ENCOURAGED TO ENTER INTO STATE AND LOCAL INTERGOVERNMENTAL AGREEMENTS OR INTER-ENTITY AGREEMENTS WHERE APPROPRIATE FOR PROCUREMENT OR USE OF COMMON OR SHARED GOODS AND SERVICES
- 200.318(F) THE NON-FEDERAL ENTITY IS ENCOURAGED TO USE FEDERAL EXCESS AND SURPLUS PROPERTY IN LIEU OF PURCHASING NEW

METHODS OF PROCUREMENT

- 200.320, METHODS OF PROCUREMENT TO BE FOLLOWED
- **THE NON-FEDERAL ENTITY MUST USE ONE OF THE 5 METHODS:**
 - (1) **MICRO-PURCHASES FOR ACQUISITION OF SUPPLIES OR SERVICES IF AGGREGATE AMOUNT DOES NOT EXCEED \$3,000 [NEW METHOD]**
 - A MICRO-PURCHASE MAY BE AWARDED WITHOUT SOLICITING COMPETITIVE QUOTATIONS IF THE NON-FEDERAL ENTITY CONSIDERS THE PRICE TO BE REASONABLE
 - (2) **SMALL PURCHASE PROCEDURES (SIMPLIFIED ACQUISITION THRESHOLD OF \$150,000, 200.88) = MUST OBTAIN PRICE OR RATE QUOTES.**
 - (3) **SEALED BIDS (FORMAL ADVERTISING)**
 - (4) **COMPETITIVE PROPOSALS**

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METHODS OF PROCUREMENT (CONT'D)

- (5) **NONCOMPETITIVE PROPOSALS – REVISED TO CLARIFY THAT SOLICITATION OF A PROPOSAL FROM ONLY ONE SOURCE MAY BE USED ONLY WHEN ONE OR MORE OF THE FOLLOWING APPLY:**
 - **THE ITEM IS AVAILABLE ONLY FROM A SINGLE SOURCE**
 - **THE PUBLIC EXIGENCY OR EMERGENCY FOR THE REQUIREMENT WILL NOT PERMIT A DELAY RESULTING FROM COMPETITIVE SOLICITATION**
 - **THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) EXPRESSLY AUTHORIZES THIS METHOD IN RESPONSE TO A WRITTEN REQUEST FROM THE NON-FEDERAL ENTITY**
 - **AFTER SOLICITATION OF A NUMBER OF SOURCES, COMPETITION IS DETERMINED INADEQUATE**

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PRE-PROCUREMENT REVIEW OF TECHNICAL SPECIFICATIONS

- 200.324, FEDERAL AWARDING AGENCY OR PASS-THROUGH ENTITY REVIEW
- **UPON REQUEST OF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY), THE NON-FEDERAL ENTITY MUST MAKE AVAILABLE:**
 - THE TECHNICAL SPECIFICATIONS ON PROPOSED PROCUREMENTS WHERE THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) BELIEVES THE REVIEW IS NEEDED TO ENSURE THAT THE ITEM OR SERVICE SPECIFIED IS THE ONE BEING PROPOSED FOR ACQUISITION

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PRE-PROCUREMENT REVIEW

- UPON REQUEST OF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY), THE NON-FEDERAL ENTITY MUST MAKE THE PROCUREMENT DOCUMENTS (E.G., REQUESTS FOR PROPOSALS, INVITATIONS FOR BIDS, OR INDEPENDENT COST ESTIMATES) AVAILABLE FOR PRE-PROCUREMENT REVIEW WHEN:
 - THE NON-FEDERAL ENTITY'S PROCUREMENT PROCEDURES OR OPERATIONS FAIL TO COMPLY WITH THE PROCUREMENT STANDARDS IN PART 200
 - THE PROCUREMENT IS EXPECTED TO EXCEED THE SIMPLIFIED ACQUISITION THRESHOLD [CURRENTLY \$150,000] AND
 - **THE PROCUREMENT IS TO BE AWARDED WITHOUT COMPETITION OR ONLY ONE BID/OFFER IS RECEIVED IN RESPONSE TO A SOLICITATION**
 - **THE PROCUREMENT SPECIFIES A "BRAND NAME" PRODUCT**
 - **THE PROPOSED CONTRACT IS TO BE AWARDED TO OTHER THAN THE APPARENT LOW BIDDER UNDER A SEALED BID PROCUREMENT**
 - **A PROPOSED CONTRACT MODIFICATION CHANGES THE SCOPE OF A CONTRACT OR INCREASES THE CONTRACT AMOUNT BY MORE THAN THE SIMPLIFIED ACQUISITION THRESHOLD.**

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PRE-PROCUREMENT REVIEW (CONT'D)

- THE NON-FEDERAL ENTITY IS EXEMPT FROM THE PRE-PROCUREMENT REVIEW:
 - IF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) DETERMINES THAT ITS PROCUREMENT SYSTEMS COMPLY WITH THE STANDARDS OF PART 200
 - THE NON-FEDERAL ENTITY SELF CERTIFIES ITS PROCUREMENT SYSTEM (BUT THE SELF-CERTIFICATION DOES NOT LIMIT THE FEDERAL AWARDING AGENCY'S RIGHT TO SURVEY THE SYSTEM)

183

PROCUREMENT CONTRACT PROVISIONS

- 200.326, CONTRACT PROVISIONS
- REFERS TO APPENDIX II FOR PROVISIONS THAT MUST BE INCLUDED IN CONTRACTS OF NON-FEDERAL ENTITIES
- THE APPENDIX PROVIDES A DESCRIPTION OF EACH PROVISION (AND GENERALLY GIVES THE LEGAL BASIS OF THE PROVISION) SO THAT THE NON-FEDERAL ENTITY CAN DETERMINE WHETHER THE PROVISION IS APPLICABLE TO A CONTRACT

184

FINANCIAL REPORTING

- **200.327, FINANCIAL REPORTING:**
 - EXISTING COVERAGE FROM A-102 AND A-110 ON THE REPORT OF FEDERAL CASH TRANSACTIONS AND THE FINANCIAL STATUS REPORT HAS BEEN DELETED AND REPLACED WITH THE REQUIREMENT THAT FEDERAL AWARDING AGENCIES ONLY USE THE OMB-APPROVED GOVERNMENT-WIDE DATA ELEMENTS FOR COLLECTION OF FINANCIAL INFORMATION -- CURRENTLY THE FEDERAL FINANCIAL REPORT
 - SUBMISSION FREQUENCY REQUIREMENTS GENERALLY REMAIN UNCHANGED
 - NO LESS FREQUENTLY THAN ANNUALLY, NOR MORE FREQUENTLY THAN QUARTERLY.
 - NEW LANGUAGE ADDED, HOWEVER, WHICH PERMITS MORE THE FEDERAL AWARDING AGENCY TO REQUIRE MORE FREQUENT REPORTING WHERE NECESSARY FOR THE EFFECTIVE MONITORING OF THE FEDERAL AWARD OR COULD SIGNIFICANTLY AFFECT PROGRAM OUTCOMES.

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MONITORING AND REPORTING PROGRAM PERFORMANCE

- **200.328, MONITORING AND REPORTING PROGRAM PERFORMANCE:**
 - SPECIFIES THAT PERFORMANCE REPORTS ARE SUBJECT TO THE PAPERWORK REDUCTION ACT REQUIREMENTS
 - FEDERAL AWARDING AGENCIES SHOULD UTILIZE OMB-APPROVED STANDARD GOVERNMENTWIDE INFORMATION COLLECTIONS (SEE ALSO 200.206)
 - SUBMISSION FREQUENCY REQUIREMENTS REMAIN LARGELY UNCHANGED
 - NO LESS FREQUENTLY THAN ANNUALLY, NOR MORE FREQUENTLY THAN QUARTERLY.
 - NEW LANGUAGE ADDED, HOWEVER, WHICH PERMITS MORE THE FEDERAL AWARDING AGENCY TO REQUIRE MORE FREQUENT REPORTING WHERE NECESSARY FOR THE EFFECTIVE MONITORING OF THE FEDERAL AWARD OR COULD SIGNIFICANTLY AFFECT PROGRAM OUTCOMES.

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REPORTING ON REAL PROPERTY

- **200.329, REPORTING ON REAL PROPERTY:**
 - THE LANGUAGE IN THIS SECTION IS BASED ON THE SUPPLEMENTARY INFORMATION PROVIDED IN THE PURPOSE SECTION OF THE FINAL NOTICE OF THE REAL PROPERTY STATUS REPORT (RPSR) FORM SF-429, AVAILABLE AT 75 FR 56540, PUBLISHED SEPTEMBER 16, 2010

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SUBRECIPIENT MONITORING AND MANAGEMENT

- SECTION 200.330 EXPLAINS THE ROLES OF SUBRECIPIENTS AND CONTRACTORS SO THAT THE NON-FEDERAL ENTITY CAN DETERMINE THE RELATIONSHIP AND THE APPLICABLE REQUIREMENTS
- **A NON-FEDERAL ENTITY PROVIDES A SUBAWARD TO A SUBRECIPIENT FOR THE PURPOSE OF CARRYING OUT A PORTION OF A FEDERAL AWARD AND CREATES A FEDERAL ASSISTANCE RELATIONSHIP BETWEEN THE NON-FEDERAL ENTITY AND THE SUBRECIPIENT**
- **A NON-FEDERAL ENTITY PROVIDES A CONTRACT TO A CONTRACTOR FOR THE PURPOSE OF OBTAINING GOODS AND SERVICES FOR THE NON-FEDERAL ENTITY'S OWN USE AND CREATES A PROCUREMENT RELATIONSHIP BETWEEN THE NON-FEDERAL ENTITY AND THE CONTRACTOR**
- **WHAT THE DOCUMENT IS CALLED DOES NOT MATTER; THE RELATIONSHIP IS THE BASIS FOR DETERMINING WHICH REQUIREMENTS ARE APPLICABLE**

SUBRECIPIENTS MONITORING AND OVERSIGHT REQUIREMENTS FOR PASS-THROUGH ENTITIES

- 200.331, REQUIREMENTS FOR PASS-THROUGH ENTITIES
- INCLUDES AUDIT RESPONSIBILITIES THAT WERE IN A-133
- **THE PASS-THROUGH ENTITY MUST:**
 - **PUT SPECIFIC INFORMATION IN THE SUBAWARD, INCLUDING INDIRECT COST RATE**
 - **DO A RISK ASSESSMENT TO DETERMINE APPROPRIATE SUBRECIPIENT MONITORING AND MUST MONITOR SUBRECIPIENTS**
 - **CONSIDER IF SPECIFIC SUBAWARD CONDITIONS ARE NEEDED**
 - **VERIFY SUBRECIPIENTS HAVE AUDITS IN ACCORDANCE WITH SUBPART F**
 - **MAKE ANY NECESSARY ADJUSTMENT TO THE PASS-THROUGH ENTITY'S RECORDS BASED ON REVIEWS AND AUDITS OF SUBRECIPIENTS**
 - **CONSIDER ACTIONS TO ADDRESS SUBRECIPIENT NONCOMPLIANCE**

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INFORMATION CONTAINED IN A SUBAWARD

- **FOLLOWING INFORMATION MUST BE IDENTIFIED TO SUBRECIPIENT AT TIME OF AWARD AND PUT IN THE SUBAWARD (AND WHEN CHANGES ARE MADE TO THE SUBAWARD) (200.331(A)):**
 - **FEDERAL AWARD IDENTIFICATION, E.G., DUNS NUMBER, ETC.**
 - **INDIRECT COST RATE FOR THE FEDERAL AWARD (INCLUDING IF THE DE MINIMUS RATE IS CHARGE PER 200.414 INDIRECT (F&A) COSTS) REQUIREMENTS IMPOSED BY THE PASS-THROUGH ENTITY**
 - **REQUIREMENT TO PROVIDE ACCESS TO RECORDS FOR AUDIT**

190

EVALUATING SUBRECIPIENT RISK TO DETERMINE APPROPRIATE MONITORING

- **THE PASS-THROUGH ENTITY MUST EVALUATE EACH SUBRECIPIENT'S RISK OF NONCOMPLIANCE WITH FEDERAL STATUTES, REGULATIONS, AND THE TERMS AND CONDITIONS OF THE SUBAWARD FOR THE PURPOSE OF DETERMINING APPROPRIATE SUBRECIPIENT MONITORING, WHICH MAY INCLUDE CONSIDERATION OF FACTORS SUCH AS (200.331(B)):**
 - **PRIOR EXPERIENCE WITH SAME OR SIMILAR SUBAWARDS**
 - **RESULTS OF PREVIOUS AUDITS**
 - **WHETHER NEW OR SUBSTANTIALLY CHANGED PERSONNEL OR SYSTEMS**
 - **EXTENT AND RESULTS OF FEDERAL AWARDING AGENCY MONITORING**

191

REQUIRED SUBRECIPIENTS MONITORING PROCEDURES

- **WHEN MONITORING OF SUBRECIPIENTS, THE PASS-THROUGH ENTITY MUST (200.331(D)):**
 - **REVIEW REPORTS REQUIRED BY THE PASS-THROUGH ENTITY**
 - **FOLLOW-UP TO ENSURE SUBRECIPIENT TAKES APPROPRIATE ACTION ON ALL DEFICIENCIES PERTAINING TO THE SUBAWARD FROM THE PASS-THROUGH ENTITY IDENTIFIED THROUGH AUDITS, ON-SITE REVIEWS, AND OTHER MEANS**
 - **ISSUE A MANAGEMENT DECISION FOR AUDIT FINDINGS PERTAINING TO SUBAWARDS MADE BY THE PASS-THROUGH ENTITY**
- **NOT NEW REQUIREMENT – TAKEN FROM A-133**

192

ADDITIONAL SUBRECIPIENT MONITORING TOOLS

- FOLLOWING TOOLS MAY BE USEFUL, DEPENDING UPON THE RISK ASSESSMENT (200.331 (E))
 - PROVIDING SUBRECIPIENT TRAINING AND TECHNICAL ASSISTANCE
 - PERFORMING ON-SITE REVIEWS
 - ARRANGING FOR AGREED-UPON-PROCEDURES ENGAGEMENTS UNDER 200.425, AUDIT SERVICES [IN COST PRINCIPLES]
- NO LISTED TOOL IS REQUIRED NOR IS THE LIST OF TOOLS ALL INCLUSIVE
- DETERMINATION ON WHICH TOOLS IS A MATTER OF JUDGMENT FOR THE PASS-THROUGH ENTITY BASED UPON ITS ASSESSMENT OF RISK

193

SUBRECIPIENTS: FIXED AMOUNT SUBAWARDS

- 200.332, FIXED AMOUNT SUBAWARDS
 - PERMITS A NON-FEDERAL ENTITY TO MAKE SUBAWARDS BASED ON FIXED AMOUNTS (IN ACCORDANCE WITH 200.201) NOT EXCEEDING THE SIMPLIFIED ACQUISITION THRESHOLD (CURRENTLY \$150,000)
 - THE PRIOR WRITTEN APPROVAL OF THE FEDERAL AWARDING AGENCY IS REQUIRED

194

RETENTION REQUIREMENTS FOR RECORDS

- **200.333, RETENTION REQUIREMENTS FOR RECORDS:**
 - **RETAINS THE RECORD RETENTION PERIOD OF THREE YEARS FROM THE DATE OF SUBMISSION OF THE FINAL EXPENDITURE REPORT**
 - FOR FEDERAL AWARDS THAT ARE RENEWED QUARTERLY OR ANNUALLY, FROM THE DATE OF THE SUBMISSION OF THE QUARTERLY OR ANNUAL FINANCIAL REPORT
 - SUPPLEMENTS TO THE LISTING OF EXCEPTIONS FROM STANDARD RECORD RETENTION:
 - WHEN THE NON-FEDERAL ENTITY IS NOTIFIED IN WRITING BY THE FEDERAL AWARDING AGENCY, COGNIZANT AGENCY FOR AUDIT, COGNIZANT AGENCY FOR INDIRECT COSTS, OR PASS-THROUGH ENTITY; AND
 - RECORDS FOR PROGRAM INCOME TRANSACTIONS AFTER THE PERIOD OF PERFORMANCE

195

METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION

- **200.335, METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION:**
 - IN LIEU OF ADDRESSING THE ISSUE THROUGHOUT THE DOCUMENT, A NEW SECTION WAS ADDED TO CLEARLY ARTICULATE THE TREATMENT OF ELECTRONIC RECORDS
 - **FEDERAL AWARDING AGENCIES AND THE NON-FEDERAL ENTITIES SHOULD, WHENEVER PRACTICABLE, COLLECT, TRANSMIT, AND STORE FEDERAL AWARD-RELATED INFORMATION IN OPEN AND MACHINE READABLE FORMATS**
 - **FEDERAL AWARDING AGENCIES OR PASS-THROUGH ENTITIES MUST ALWAYS PROVIDE OR ACCEPT PAPER VERSIONS OF FEDERAL AWARD-RELATED INFORMATION TO AND FROM THE NON-FEDERAL ENTITY UPON REQUEST**

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METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION (CONT'D)

- **WHEN ORIGINAL RECORDS ARE ELECTRONIC AND CANNOT BE ALTERED, THERE IS NO NEED TO CREATE AND RETAIN PAPER COPIES.**
- WHEN ORIGINAL RECORDS ARE PAPER, ELECTRONIC VERSIONS MAY BE SUBSTITUTED THROUGH THE USE OF DUPLICATION OR OTHER FORMS OF ELECTRONIC MEDIA PROVIDED THAT THEY ARE SUBJECT TO PERIODIC QUALITY CONTROL REVIEWS, PROVIDE REASONABLE SAFEGUARDS AGAINST ALTERATION, AND REMAIN READABLE.

197

REMEDIES FOR NONCOMPLIANCE

- **REMEDIES FOR NONCOMPLIANCE ARE COVERED IN 200.338 THROUGH 200.342**
- THE SECTIONS ARE GENERALLY SUBSTANTIVELY THE SAME AS SUPERSEDED CIRCULARS, WITH SOME MODIFICATIONS
- THE SECTIONS COVER ACTIONS THAT MAY BE TAKEN BY THE PASS-THROUGH ENTITY, NOT JUST BY THE FEDERAL AWARDING AGENCY

198

REMEDIES FOR NONCOMPLIANCE

- 200.338, REMEDIES FOR NONCOMPLIANCE
 - PERMITS THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) TO TRY TO REMEDY NONCOMPLIANCE THROUGH **ADDITIONAL CONDITIONS** ON THE FEDERAL AWARD (OR SUBAWARD)
 - EXPRESSLY REFERENCES **SUSPENSION AND DEBARMENT** PROCEEDINGS AND CROSS-REFERENCES THE GOVERNMENT-WIDE REGULATION AT 2 CFR PART 180

199

REMEDIES FOR NONCOMPLIANCE: TERMINATION

- 200.339, TERMINATION, COMPREHENSIVELY ADDRESSES TERMINATION
- **THE FEDERAL AWARD MAY BE TERMINATED BY THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) IN WHOLE OR IN PART:**
 - (1) FOR FAILURE OF THE NON-FEDERAL ENTITY TO COMPLY WITH THE TERMS AND CONDITIONS OF THE FEDERAL AWARD
 - (2) FOR CAUSE [NEW]
 - (3) WITH THE CONSENT OF THE NON-FEDERAL ENTITY (THE TWO PARTIES MUST AGREE UPON THE TERMINATION CONDITIONS, INCLUDING THE EFFECTIVE DATE AND, IN THE CASE OF PARTIAL TERMINATION, THE PORTION TO BE TERMINATED)

200

REMEDIES FOR NONCOMPLIANCE: TERMINATION

- THE FEDERAL AWARD MAY BE TERMINATED BY THE NON-FEDERAL ENTITY BY SENDING TO THE FEDERAL AWARDDING AGENCY (OR PASS-THROUGH ENTITY) WRITTEN NOTIFICATION SETTING FORTH THE REASONS FOR TERMINATION, THE EFFECTIVE DATE, AND, IN THE CASE OF PARTIAL TERMINATION, THE PORTION TO BE TERMINATED.
- WHEN THE FEDERAL AWARD IS TERMINATED, THE FEDERAL AWARDDING AGENCY (OR PASS-THROUGH ENTITY) AND THE NON-FEDERAL ENTITY REMAIN RESPONSIBLE FOR CLOSEOUT, POST-CLOSEOUT ADJUSTMENTS AND CONTINUING RESPONSIBILITIES

201

CLOSEOUT

- 200.343, CLOSEOUT
- THIS SECTION SHOULD BE CLEARER BECAUSE THE TIMEFRAMES ARE BASED ON "PERIOD OF PERFORMANCE" WHICH MUST BE STATED IN THE FEDERAL AWARD

202

POST-CLOSEOUT ADJUSTMENTS AND COLLECTION OF AMOUNTS DUE

- 200.344, POST-CLOSEOUT ADJUSTMENTS AND CONTINUING RESPONSIBILITIES
- **THE ADJUSTMENT TO THE FEDERAL AWARD AMOUNT BASED ON AN AUDIT OR OTHER REVIEW AFTER CLOSEOUT MUST BE MADE WITHIN THE RECORD RETENTION PERIOD**
- 200.345, COLLECTION OF AMOUNTS DUE
- THE COLLECTION MAY HAPPEN AFTER THE RECORD RETENTION PERIOD

203

ADMINISTRATIVE REQUIREMENTS

QUESTIONS??

204

COST PRINCIPLES

REFORMS TO CIRCULARS A-21, A- 87, AND A-122

OMB COST PRINCIPLES – CONSOLIDATION

■ CONSOLIDATE COST PRINCIPLES INTO SINGLE DOCUMENT WITH:

- OMB CIRCULAR A-21 – EDUCATIONAL INSTITUTIONS
- OMB CIRCULAR A-87 – GOVERNMENTS
- OMB CIRCULAR A-122 – NONPROFIT ORGANIZATIONS

■ **HEALTH AND HUMAN SERVICES AT 45 CFR PART 74 APPENDIX E – HOSPITALS WAS NOT INCORPORATED IN THE PROPOSAL**

- OMB WILL CONDUCT FURTHER REVIEW OF THE COST PRINCIPLES FOR HOSPITALS AND MAKE A FUTURE DETERMINATION ABOUT THE EXTENT TO WHICH THEY SHOULD BE ADDED TO THIS GUIDANCE

These reforms above are aimed at providing uniformity in documentation requirements across different types of entities.

UNIFORM ADMINISTRATIVE REQUIREMENTS,
AUDIT REQUIREMENTS, AND COST
PRINCIPLES

2 CFR CHAPTER 1, CHAPTER 2, PART 200,
ET AL.

January 27, 2014

COST PRINCIPLES

- 2 CFR CHAPTER II,

- PART 200 - - "UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS"
- SUBPART E - COST PRINCIPLES
- AND APPENDICES III-VIII: COST PRINCIPLES. REFORMS TO COST PRINCIPLES (CIRCULARS A-21, A-87, AND A-122).

COST PRINCIPLES

FINAL "GUIDANCE" CLARIFIES AND STRENGTHENS COST PRINCIPLES ACROSS MANY FUNCTIONAL AREAS.

COST PRINCIPLES

- QUESTION WE HEAR FREQUENTLY -
 - SHOULD WE CONTINUE USING 2 CFR 220, 225, AND 230 UNTIL DECEMBER 2014, EVEN THOUGH THESE REGULATIONS HAVE NOW BEEN REMOVED FROM THE CFR?
 - MORE GUIDANCE TO COME.

SIGNIFICANT CHANGES IN THE COST PRINCIPLES

- **Indirect Cost Rates**
- **Compensation – Personal Services (time & attendance)**
- **Family Friendly Policies**
- **Support for Shared Services**

APPLICABILITY

- **200.401 – APPLICATION**
 - **NO CHANGE IN EXCLUSIONS**
 - **CLARIFICATION - COST ACCOUNTING STANDARDS**

SUBPART E – COST PRINCIPLES GENERAL PROVISIONS

- 200.400 - POLICY GUIDE
 - RECOGNIZES THE DUAL ROLE OF STUDENTS
 - **STRENGTHENS THE LONG STANDING PRACTICE THAT NON FEDERAL ENTITIES ARE NOT PERMITTED TO KEEP PROFIT UNLESS EXPRESSLY AUTHORIZED BY THE TERMS & CONDITIONS OF THE AWARD.**

COST PRINCIPLES

- 200.407 - PRIOR WRITTEN APPROVAL
 - PROVIDES A ONE-STOP COMPREHENSIVE LIST OF THE CIRCUMSTANCES UNDER WHICH NON-FEDERAL ENTITIES SHOULD SEEK PRIOR APPROVAL OF COSTS FROM THE FEDERAL AWARDING AGENCY.

COST PRINCIPLES

- 200.413 – ADMINISTRATIVE COSTS AS DIRECT COSTS
 - DIRECT CHARGING ADMINISTRATIVE SUPPORT COSTS
 - EVEN SOME UNALLOWABLE COSTS MUST BE IN THE IDC BASE

COST PRINCIPLES

- 200.414 - INDIRECT FACILITIES AND ADMINISTRATION (F&A) COSTS
 - FEDERAL ACCEPTANCE OF APPROVED IDC RATE(S)
 - NEW DE MINIMIS RATE
 - ONE TIME EXTENSION OF UP TO 4 YEARS

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS (CONTINUED)
- **FEDERAL AWARDING AGENCIES MUST ACCEPT APPROVED NEGOTIATED INDIRECT COST RATES UNDER 200.414 (C)(1)** UNLESS A DIFFERENT RATE IS REQUIRED BY FEDERAL STATUTE OR REGULATION, OR WHEN APPROVED BY A FEDERAL AWARDING AGENCY HEAD OR DELEGATE BASED ON DOCUMENTED JUSTIFICATION AS DESCRIBED IN PARAGRAPH (C)(3) OF THIS SECTION.

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS (CONTINUED)

A **10% DE MINIMIS** IDC RATE AVAILABLE IS NOW AVAILABLE UNDER §200.414 (F) – IT SAYS, “ ANY NON-FEDERAL ENTITY THAT HAS NEVER RECEIVED A NEGOTIATED INDIRECT COST RATE, EXCEPT FOR THOSE NON-FEDERAL ENTITIES DESCRIBED IN APPENDIX VII TO PART 200 . . . MAY ELECT TO CHARGE A DE MINIMIS RATE OF 10% OF MODIFIED TOTAL DIRECT COSTS (MTDC) WHICH MAY BE USED INDEFINITELY. IMPORTANTLY, IF CHOSEN, THE NON-FEDERAL ENTITY MUST USE THE 10% RATE ON ALL FEDERAL AWARDS UNTIL THE ENTITY NEGOTIATES AN APPROVED RATE WITH THEIR COGNIZANT AGENCY.

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS (CONTINUED)
- **(G) ANY NON-FEDERAL ENTITY THAT HAS A FEDERALLY NEGOTIATED INDIRECT COST RATE MAY APPLY FOR A ONE-TIME EXTENSION OF A CURRENT NEGOTIATED INDIRECT COST RATES FOR A PERIOD OF UP TO FOUR YEARS. THIS EXTENSION WILL BE SUBJECT TO THE REVIEW AND APPROVAL OF THE COGNIZANT AGENCY FOR INDIRECT COSTS. IF AN EXTENSION IS GRANTED THE NON-FEDERAL ENTITY MAY NOT REQUEST A RATE REVIEW UNTIL THE EXTENSION PERIOD ENDS.**

COST PRINCIPLES

- **QUESTION:**

“CAN NON-FEDERAL ENTITIES EXTEND FOR 4 YEARS? WHAT ABOUT 3 YEARS OR 2 YEARS?”

ANSWER - YES. UP TO 4 YEARS. (200.414)

COST PRINCIPLES

- APPENDIX LISTING

- APPENDIX I TO PART 200 – FULL TEXT OF NOTICE OF FUNDING OPPORTUNITY
- APPENDIX II TO PART 200 – CONTRACT PROVISIONS FOR NON-FEDERAL ENTITY CONTRACTS UNDER FEDERAL AWARDS
- APPENDIX III TO PART 200 – **INDIRECT (F&A) COSTS** IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR **INSTITUTIONS OF HIGHER EDUCATION (IHE)**

COST PRINCIPLES

- APPENDIX LISTING (CONTINUED)

- APPENDIX IV TO PART 200 – **INDIRECT (F&A) COSTS** IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATIONS FOR **NONPROFIT ORGANIZATIONS**
- APPENDIX V TO PART 200 – **STATE/LOCAL GOVERNMENT AND INDIAN TRIBE- WIDE CENTRAL SERVICE COST ALLOCATION PLANS**
- APPENDIX VI TO PART 200 – PUBLIC ASSISTANCE COST ALLOCATION PLANS
- APPENDIX VII TO PART 220 – **STATE AND LOCAL GOVERNMENT AND INDIAN TRIBE INDIRECT COST PROPOSALS**

COST PRINCIPLES

- **APPENDIX LISTING (CONTINUED)**
 - APPENDIX VIII TO PART 200 – NONPROFIT ORGANIZATIONS EXEMPTED FROM SUBPART E – COST PRINCIPLES OF PART 200
 - APPENDIX IX TO PART 200 – HOSPITAL COST PRINCIPLES
 - APPENDIX X TO PART 200 – DATA COLLECTION FORM (FORM SF-SAC)
 - APPENDIX XI PART 220 – COMPLIANCE SUPPLEMENT

COST PRINCIPLES

- **200.415 - REQUIRED CERTIFICATIONS**
 - SIGNED BY OFFICIAL WHO CAN LEGALLY BIND ORGANIZATION
 - PENALTIES UNDER THE FALSE CLAIMS ACT

COST PRINCIPLES

- 200.419 - COST ACCOUNTING STANDARDS AND DISCLOSURE STATEMENT
 - IHE THRESHOLD FOR CAS RAISED TO \$50M
 - STREAMLINED REVIEW FOR CHANGES TO REDUCE THE RISK OF NON-COMPLIANCE AND AUDIT FINDINGS

2 CFR PART 200 SUBPART E

GENERAL PROVISIONS FOR SELECTED ITEMS
OF COST

SELECTED ITEMS OF COST

- 200.421 - ADVERTISING AND PUBLIC RELATIONS
- ALLOWABILITY OF ADVERTISING AND PUBLIC RELATIONS COSTS (NO CHANGE)

SELECTED ITEMS OF COST

- 200.428 COLLECTIONS OF IMPROPER PAYMENTS (NEW)
THE COSTS INCURRED BY A NON-FEDERAL ENTITY TO RECOVER IMPROPER PAYMENTS ARE ALLOWABLE AS EITHER DIRECT OR INDIRECT COSTS, AS APPROPRIATE.

SELECTED ITEMS OF COST

- 200.430 – COMPENSATION – PERSONAL SERVICES
 - **STRENGTHEN INTERNAL CONTROLS (RULES LOOSENED FOR TIME AND ATTENDANCE RECORDS. 100% RULE STILL IN EFFECT.)**
 - REMOVED EXAMPLES
 - FEDERAL AGENCIES MAY APPROVE METHODS FOR BLENDED/BRAIDED FUNDS
 - USE OF INSTITUTIONAL BASE SALARY FOR IHE

SELECTED ITEMS OF COST

- 200.431 – COMPENSATION – FRINGE BENEFITS
 - **GAAP FOR ACCRUAL BASED ACCOUNTING**
 - **MASS SEVERANCE (NO ACCRUALS)**
 - **EXCESSIVE SEVERANCE PAY**
 - **FAMILY FRIENDLY LEAVE**

SELECTED ITEMS OF COST

- **200.432 – CONFERENCES**
 - REQUIRES CONFERENCE HOSTS/SPONSORS TO EXERCISE DISCRETION AND JUDGMENT IN ENSURING THAT CONFERENCE COSTS ARE APPROPRIATE, NECESSARY AND MANAGED IN A MANNER THAT MINIMIZES COSTS TO THE FEDERAL AWARD.
 - **ALLOWS COSTS OF “FINDING” LOCAL DEPENDENT CARE**

SELECTED ITEMS OF COST

- **200.446 - IDLE FACILITIES AND IDLE CAPACITY**
 - **ALLOWS FOR THE COSTS OF IDLE FACILITIES WHEN THEY ARE NECESSARY TO FLUCTUATIONS IN WORKLOAD, SUCH AS THOSE WHICH MAY BE TYPICAL OF DEVELOPING SHARED SERVICE ARRANGEMENTS.**

SELECTED ITEMS OF COST

- 200.474 – TRAVEL COSTS
 - **PROVIDES THAT TEMPORARY DEPENDENT CARE COSTS THAT RESULT DIRECTLY FROM TRAVEL TO CONFERENCES AND MEET SPECIFIED STANDARDS ARE ALLOWABLE.**

SELECTED ITEMS OF COST

- 200.422 - ADVISORY COUNCILS
 - THESE COSTS ARE STILL ALLOWABLE IF AUTHORIZED BY STATUTE OR WITH PRIOR APPROVAL FROM THE FEDERAL AWARDDING AGENCY.

SELECTED ITEMS OF COST

- 200.425 AUDIT SERVICES
- FINANCIAL STATEMENT AUDITS
- PARAGRAPH (B) ALLOWS THE COSTS OF A FINANCIAL STATEMENT AUDIT FOR A NON-FEDERAL ENTITY **THAT DOES NOT CURRENTLY HAVE A FEDERAL AWARD** WHEN INCLUDED IN THE INDIRECT COST POOL AS PART OF A COST ALLOCATION PLAN OR INDIRECT COST PROPOSAL. THESE AUDITS MAY BE USEFUL TO THE FEDERAL AGENCY NEGOTIATING AN INDIRECT COST RATE, AND THEY ARE NOT IN CONFLICT WITH THE SINGLE AUDIT ACT.

SELECTED ITEMS OF COST

- 200.433 – CONTINGENCY PROVISIONS
 - PARAGRAPH (B) REQUIREMENTS TO CHARGE
 - ACCEPTED ESTIMATING METHODOLOGY
 - MUST BE EXPLICITLY SUBJECT TO AGENCY APPROVAL AT TIME OF AWARD
 - COSTS MUST BE ALLOWABLE
 - AMOUNTS MUST BE INCLUDED IN AWARD
 - MUST RETAIN RECORDS TO VERIFY COSTS

SELECTED ITEMS OF COST

- 200.434 - CONTRIBUTIONS AND DONATIONS
 - NO MAJOR CHANGES – LANGUAGE IS STRENGTHENED TO ALIGN WITH COST SHARING SECTION 200.306

SELECTED ITEMS OF COST

- 200.435 -DEFENSE AND PROSECUTION OF CRIMINAL AND CIVIL PROCEEDINGS, CLAIMS, APPEALS AND PATENT INFRINGEMENTS.
 - LANGUAGE HAS BEEN STREAMLINED FOR CONSISTENCY PURPOSES AND NOW SPECIFICALLY MENTIONS WHISTLEBLOWER PROTECTION ACT.

SELECTED ITEMS OF COST

- 200.436 – DEPRECIATION
 - SHIFT FROM GASBS # 51 TO GAAP
 - DONATED ASSETS VALUED AT TIME OF DONATION
 - DONATED ASSETS MAY BE DEPRECIATED OR CLAIMED AS MATCHING BUT NOT BOTH.

COST PRINCIPLES

- 200.437 – EMPLOYEE HEALTH AND WELFARE COSTS

“COSTS INCURRED IN ACCORDANCE WITH THE NON-FEDERAL ENTITY'S **DOCUMENTED POLICIES** FOR THE IMPROVEMENT OF WORKING CONDITIONS, EMPLOYER-EMPLOYEE RELATIONS, EMPLOYEE HEALTH, AND EMPLOYEE PERFORMANCE ARE ALLOWABLE.”

SELECTED ITEMS OF COST

- 200.438 – ENTERTAINMENT COSTS
 - UNALLOWABLE UNLESS
 1. THOSE COSTS HAVE A PROGRAMMATIC PURPOSE AND ARE AUTHORIZED IN THE APPROVED BUDGET FOR THE FEDERAL AWARD, OR
 2. THOSE COSTS HAVE PRIOR WRITTEN APPROVAL FROM THE FEDERAL AWARDDING AGENCY

SELECTED ITEMS OF COST

- 200.439 EQUIPMENT AND OTHER CAPITAL EXPENDITURES
 - DEFINITIONS IN SUBPART A
 - PROPERTY STANDARDS IN SUBPART D

SELECTED ITEMS OF COST

- 200.440 – EXCHANGE RATES (NEW)

ALLOWS FOR COST INCREASES FROM FLUCTUATIONS IN EXCHANGE RATES WITH CERTAIN CONDITIONS BEING MET AND OF COURSE, THE AVAILABILITY OF FUNDS.

SELECTED ITEMS OF COST

- 200.441 – FINES, PENALTIES, DAMAGES AND OTHER SETTLEMENTS

- INCLUDES TRIBAL LAW VIOLATIONS
- INCLUDES “ALLEGED VIOLATIONS” AND NOT JUST “VIOLATIONS” ARE UNALLOWABLE EXCEPT WHEN THEY RESULT DIRECTLY FROM COMPLYING WITH THE TERMS OF A FEDERAL AWARD OR ARE APPROVED IN ADVANCE BY THE FEDERAL AWARING AGENCY.

SELECTED ITEMS OF COST

- 200.449 – INTEREST
 - PARAGRAPH (B)(2) ESTABLISHES THE DATE OF JANUARY 1, 2016, AS THE DATE THAT NON-FEDERAL ENTITIES WHOSE FISCAL YEAR STARTS ON OR THEREAFTER MAY BE REIMBURSED FOR FINANCING COSTS ASSOCIATED WITH PATENTS AND COMPUTER SOFTWARE .

SELECTED ITEMS OF COST

- 200.453 – MATERIALS AND SUPPLIES COSTS, INCLUDING COSTS OF COMPUTING DEVICES
 - PARAGRAPH (C) MAY BE CHARGED DIRECT
 - DEFINITION OF COMPUTING DEVICES 200.20
 - DEFINITION OF SUPPLIES 200.94

SELECTED ITEMS OF COST

- 200.455 - ORGANIZATION COSTS
 - NOW UNALLOWABLE TO ALL ORGANIZATIONS UNLESS SPECIFIC APPROVAL BY THE AWARDING FEDERAL AGENCY

SELECTED ITEMS OF COST

- 200.456 – PARTICIPANT SUPPORT COSTS
 - APPLIES TO TYPES OF ORGANIZATIONS
 - DEFINITION MOVED TO 200.75
 - THE TREATMENT OF PARTICIPANT SUPPORT COSTS IS IN THE DEFINITION OF MODIFIED TOTAL DIRECT COSTS AND IN THE APPENDICES ON INDIRECT COST RATES, APPENDIX IV TO PART 200

SELECTED ITEMS OF COST

- 200.460 – PROPOSAL COSTS
 - PROPOSAL COST CHANGES THE LANGUAGE THAT ALLOWED FOR OTHER THAN INDIRECT TREATMENT OF THESE COSTS.
 - ALLOCABLE ONLY TO CURRENT ACCOUNTING PERIOD

SELECTED ITEMS OF COST

- 200.461 – PUBLICATION AND PRINTING COSTS
 - PARAGRAPH (C) RESOLVES A LONG-STANDING ISSUE WITH CHARGES NECESSARY TO PUBLISH RESEARCH RESULTS, WHICH TYPICALLY OCCUR AFTER EXPIRATION, BUT ARE OTHERWISE ALLOWABLE COSTS OF AN AWARD.

SELECTED ITEMS OF COST

- **200.463 – RECRUITING COSTS**

- PARAGRAPH (B) OF SECTION 200.463 – RECRUITING COSTS, MAKES CLEAR THAT “SPECIAL EMOLUMENTS, FRINGE BENEFITS, AND SALARY ALLOWANCES” THAT DO NOT MEET THE TEST OF REASONABLENESS OR DO NOT CONFORM WITH ESTABLISHED PRACTICES OF THE ENTITY ARE UNALLOWABLE.

SELECTED ITEMS OF COST

- **200.463 – RECRUITING COSTS**

- PARAGRAPH (C) PROVIDES THAT WHEN RELOCATION COSTS ARE INCURRED WITH THE RECRUITMENT OF A NEW EMPLOYEE AND HAVE BEEN FUNDED IN WHOLE OR IN AS A DIRECT COST TO THE FEDERAL AWARD, AND THE NEWLY HIRED EMPLOYEE RESIGNS FOR REASONS WITHIN THE EMPLOYEE’S CONTROL WITHIN 12 MONTHS AFTER HIRE, THE NON-FEDERAL ENTITY WILL BE REQUIRED TO REFUND OR CREDIT ONLY THE FEDERAL SHARE OF SUCH RELOCATION COSTS TO THE FEDERAL GOVERNMENT.

SELECTED ITEMS OF COST

- 200.463 – RECRUITING COSTS

- TO MEET THE NEEDS ASSOCIATED WITH OBTAINING CRITICAL FOREIGN RESEARCH SKILLS, NEW LANGUAGE AND STANDARDS FOR SHORT TERM TRAVEL VISA COSTS HAVE BEEN ADDED UNDER PARAGRAPH (D).

SELECTED ITEMS OF COST

- 200.464 – RELOCATION COSTS OF EMPLOYEES

- LIMITS THE PREVIOUSLY UNLIMITED AMOUNT OF TIME FOR WHICH A FEDERAL AWARD MAY BE CHARGED FOR THE COSTS OF AN EMPLOYEE'S VACANT HOME TO UP TO SIX MONTHS.

SELECTED ITEMS OF COST

- 200.465 – RENTAL COSTS OF REAL PROPERTY AND EQUIPMENT
 - RENTAL COSTS UNDER “SALE AND LEASE BACK”
 - RENTAL COSTS UNDER "LESS-THAN-ARM'S LENGTH“
 - HOME OFFICE SPACE

SELECTED ITEMS OF COST

- 200.469 - STUDENT ACTIVITY COSTS
 - STUDENT ACTIVITIES ARE PRIMARILY APPLIES TO IHES, APPLICABILITY IS EXPANDED TO ALL ENTITIES TO FURTHER MITIGATE RISKS OF WASTE, FRAUD, AND ABUSE.

SELECTED ITEMS OF COST

- 200.470 - TAXES (INCLUDING VALUE ADDED TAX)
 - PARAGRAPH (A) – STATES, LOCAL GOVERNMENT AND INDIAN TRIBES
 - PARAGRAPH (B) NONPROFITS AND IHES
 - ADDS PARAGRAPH (C) – VALUE ADDED TAXES – FOREIGN TAXES

COST PRINCIPLES

QUESTIONS??

SUMMARY

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IMPACT OF NEW UNIFORM GUIDANCE

- ELIMINATES DUPLICATIVE AND CONFLICTING GUIDANCE
- FOCUS ON PERFORMANCE AND INTERNAL CONTROLS OVER DIRECTIVE COMPLIANCE FOR ACCOUNTABILITY
- PROVIDES FRAMEWORK FOR STANDARD BUSINESS PROCESSES & DATA DEFINITIONS
- PROMOTES EFFICIENT USE OF IT AND SHARED SERVICES
- REQUIRES CONSISTENT AND TRANSPARENT TREATMENT OF COSTS
- ENCOURAGES FAMILY-FRIENDLY POLICIES
- STRONGER OVERSIGHT & TARGET AUDITS ON RISK OF WASTE, FRAUD, AND ABUSE
- INCREASED ACCOUNTABILITY FOR EFFECTIVE RESOLUTION OF WEAKNESSES

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ADMINISTRATIVE REQUIREMENTS FOR RECIPIENTS

- CONSOLIDATION OF ADMINISTRATIVE REQUIREMENTS OF OMB CIRCULARS A-102 AND A-110 INTO A UNIFORM SET OF ADMINISTRATIVE REQUIREMENTS FOR ALL GRANT RECIPIENTS
 - BASIS APPEARS TO BE A-110 EXCEPT FOR PROCUREMENT WHICH ALIGNS WITH A-102
- CLARIFICATION FEDERAL EXPECTATIONS FOR PASS-THROUGH ENTITIES
 - CONSOLIDATES AND CLARIFIES SUBRECIPIENT MONITORING
 - INDICATES THAT ALL SUBAWARDS SHALL INCLUDE A PROVISION FOR INDIRECT COSTS
 - EITHER NEGOTIATED OR A DE MINIMIS RATE OF 10%

FEDERAL AGENCY REQUIREMENTS

- USE STANDARD FORMAT TO ANNOUNCE FUNDING OPPORTUNITIES, INCLUDING:
 - ELIGIBILITY OR QUALIFICATION INFORMATION
 - CLEAR DESCRIPTION OF ALL CRITERIA USED IN AGENCY REVIEW OF APPLICATIONS
 - DISCLOSURE OF SPECIAL TERMS AND CONDITIONS
- MAKE ALL SOLICITATIONS AVAILABLE FOR APPLICATION FOR AT LEAST 30 DAYS UNLESS REQUIRED BY STATUE OR UNLESS EXIGENT CIRCUMSTANCES DICTATE OTHERWISE
- CONSIDER RISK (FINANCIAL STABILITY, MANAGEMENT SYSTEMS AND HISTORY OF PERFORMANCE) ASSOCIATED WITH EACH APPLICANT PRIOR TO MAKING AWARD
 - RISK ASSESSMENT MAY IMPACT TERMS AND CONDITIONS
- DESIGNATE "SINGLE AUDIT ACCOUNTABLE OFFICIAL" TO OVERSEE SINGLE

PERFORMANCE OVER COMPLIANCE FOR ACCOUNTABILITY

- EMPHASIS ON STRONG INTERNAL CONTROLS AND REDUCTION IN SPECIFIC COMPLIANCE REQUIREMENTS
 - EXAMPLE: SPECIFIC EXAMPLES OF JUSTIFICATION FOR SALARIES AND WAGES ELIMINATED FOR MORE FLEXIBILITY IN IMPLEMENTING A STRONG SYSTEM OF INTERNAL CONTROLS
- ALIGNMENT WITH M-13-17 ENCOURAGING INNOVATIVE PROGRAM DESIGN BASED ON EVIDENCE
- PERFORMANCE MEASUREMENT AIMED AT DEVELOPING LESSONS LEARNED
- FIXED AMOUNT AWARDS AIMED AT PERFORMANCE MILESTONES

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CONSISTENT AND TRANSPARENT TREATMENT OF COSTS

- VOLUNTARY COMMITTED COST SHARING IS NOT EXPECTED UNDER RESEARCH AWARDS
- PASS-THROUGH ENTITIES MUST PROVIDE AN INDIRECT COST RATE FOR SUBAWARDS
- STANDARDS FOR TREATING ADMIN COSTS AS DIRECT
- HIGH BAR FOR CIRCUMSTANCES WHERE AGENCIES MAY DEVIATE FROM FEDERALLY NEGOTIATED RATES
- OPTION TO EXTEND RATE FOR UP TO 4 YEARS
- DE MINIMIS RATE OF 10% OF MTDC FOR ENTITIES WITHOUT A FEDERALLY NEGOTIATED RATE

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STANDARD BUSINESS PROCESSES & DATA DEFINITIONS

- SETS FRAMEWORK FOR STANDARDIZING DATA DEFINITIONS IN ALL GRANTS-RELATED FORMS GOVERNMENT-WIDE
- STANDARDIZES FORMAT FOR NOTICES OF FUNDING OPPORTUNITIES W/60 DAYS TO APPLY
- STANDARDIZES INFORMATION TO BE PROVIDED IN ALL FEDERAL AWARDS AND SUBAWARDS
- HIGHLIGHTS AREAS WHERE SPECIFIC AGENCY APPROVAL IS NEEDED

265

FAMILY-FRIENDLY POLICIES

- WHERE CONSISTENT WITH NON-FEDERAL ENTITY POLICY:
 - ALLOWS COSTS OF CONFERENCE HOSTS TO IDENTIFY LOCALLY AVAILABLE CHILD CARE
 - ALLOWS TEMPORARY DEPENDENT CARE COSTS THAT MEET SPECIFIED STANDARDS FOR TRAVEL
 - ALLOWS FAMILY LEAVE AS A FRINGE BENEFIT

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STRONGER OVERSIGHT

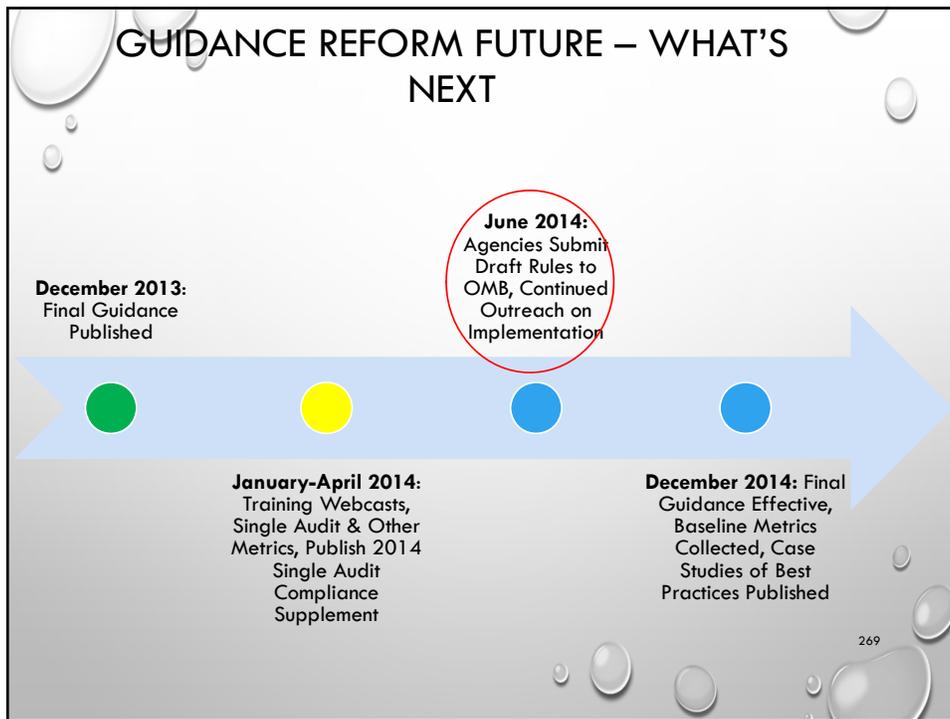
- REQUIRES MANDATORY DISCLOSURES FOR CONFLICT OF INTEREST AND CRIMINAL VIOLATIONS
- REQUIRES PRE-AWARD REVIEW OF MERIT OF PROPOSAL AND RISK OF APPLICANT
- FEDERAL AGENCIES MAY ASSIGN SPECIFIC CONDITIONS FOR AWARDS BASED ON RISK
- STRONG FOCUS ON INTERNAL CONTROLS

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TARGETING WASTE, FRAUD, AND ABUSE

- SINGLE AUDIT THRESHOLD RAISED FROM \$500,000 TO \$750,000 – REDUCING BURDEN FOR 6,300 ENTITIES WHILE MAINTAINING COVERAGE FOR 99% OF CURRENT DOLLARS COVERED.
- PUBLICATION OF SINGLE AUDIT REPORTS ONLINE WITH SAFEGUARDS FOR PII AND OPTIONAL EXCEPTION FOR INDIAN TRIBES
- SENIOR ACCOUNTABLE OFFICIAL TO IMPLEMENT METRICS AND ENCOURAGE COOPERATIVE RESOLUTION
- STRONG REQUIREMENT TO RELY ON EXISTING AUDITS FIRST

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Questions!

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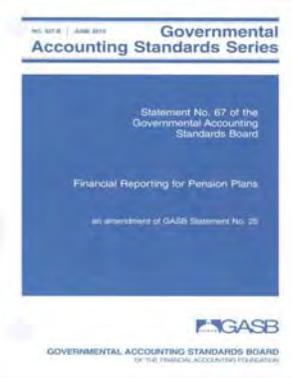
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GASB Update Focusing on Pensions

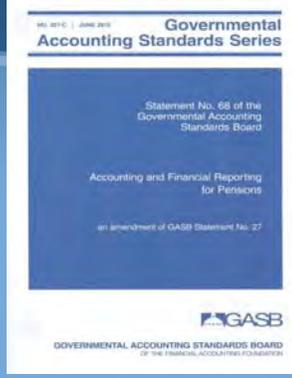


GASB 67 and 68 and the new GASB 71

1



Statement 67
Financial Reporting for Pension Plans



Statement 68
Accounting and Financial Reporting for Pensions

2

Statement 67
Financial Reporting for Pension Plans

Statement 68
Accounting and Financial Reporting for Pensions

Statement 71 (not pictured)
Pension transition for contributions made subsequent to the measurement date

3

Some Basic Definitions of Defined Benefit Plans

- **Single Employer Plan**
 - A plan that is only open to one employer or multiple departments /functions within one employer
- **Agent Multiple – Employer Plan**
 - A plan that includes more than one employer
 - Assets pooled for investment purposes
 - Separate account exists for *each* employer
 - Employer’s assets can *only be used to pay for that employer’s benefits* (and no others)
- **Cost Sharing Multiple – Employer Plan**
 - A plan that includes more than one employer
 - Assets and liabilities are pooled
 - All assets are available to pay for all benefits

4

Types of Defined Contribution Plans

- IRC 401(k) plans
 - Optional percentage of compensation contributed
 - Employer may match
 - Tax deferred unless election to tax currently (Roth 401k)
- Thrift Savings Plans
 - Employees make after tax contributions matched by employer (whole or in part)
 - Federal government is the largest TSP
- IRC 403(b) Plans
 - Tax deferred annuities funded by salary reductions
 - Usually in non-profit /government higher ed and hospitals
 - Some governments may have a wrinkle in lump sum transfers to 403(b) plan
- IRC 457 Plans
 - Common in government
 - Plan administrator invests plan assets at direction of plan participants
 - Participant has risk due to potential loss of value

5

Tennessee's Hybrid Plan

- State, Higher Education and K-12 employees hired on or after June 30, 2014 are eligible
- Combination of DB and DC plans
- Benefit formula is 1% of average final compensation over last 5 years (legacy is sliding percentage over last year)
- Rule of 90 instead of rule of 80 (age + service)
- 5 year vesting

6

The New GASB Revolution

- GASB's Postemployment Benefits Project
 - March 2009: GASB issues "Invitation to Comment"
 - June 2010: GASB issues "Preliminary Views" (PV)
 - July 2011: GASB issues two Exposure Drafts
 - Summer 2012: GASB Releases two final standards
- **Effective dates**
 - For plan reporting: plan years beginning after June 15, 2013
(2013/2014 for fiscal year plans or 2014 for calendar year)
 - For employer reporting: fiscal years beginning after June 15, 2014 (2014/2015)

7

GASB Objectives and Goals

- Focus on FINANCIAL REPORTING not operations
- GASB establishes accounting and financial reporting standards, not funding policies
 - Focus on pension obligation, changes in obligation, and attribution of expense
- Assume Governments Last Longer than 1 year
Unlike Businesses
- Cost of services to long-term operation
 - "Interperiod equity" matches current period resources and costs
- Use Federal Guidance (US DOL / SSA) on Who is an Employee and Who they Work For
- Employer incurs an obligation to its employees for pension benefits
 - Transaction is in context of a career-long relationship

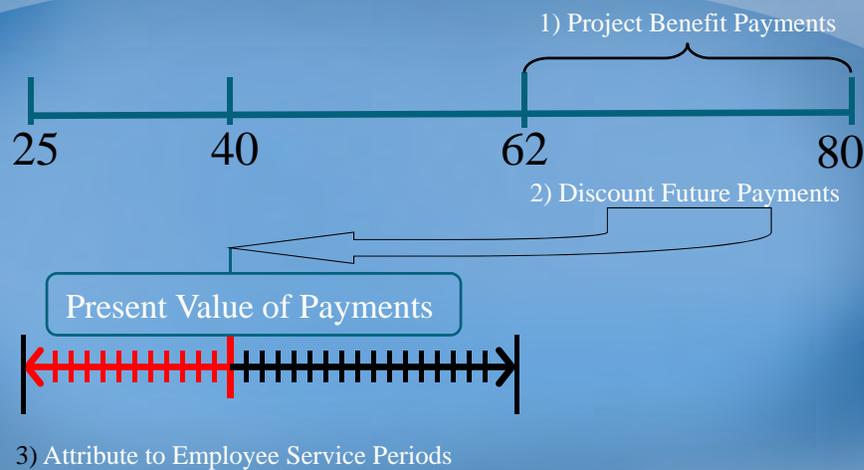
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The GASB Revolution

- **FOUR Major Focus Areas** in the new standards
 1. Placing the Net Pension Liability on the Balance Sheet
 2. Decoupling Expense from Funding
 3. Accounting for Cost-Sharing Plans (n/a for single employer)
 4. Expanding Disclosure Information (Notes & RSI)
- Timing of Measurements, Effective Dates
- Implementation Guides and Audit Guidelines

9

The Basic Three-Step Approach for Defined Benefit Pensions



Change in Pension Expense Recognition

- Pension Expenses are now going to be recorded immediately when:
 - Pension benefits earned during the reporting period (service cost or normal cost)
 - Projected investment earnings on pension plan investments (long-term expected rate of return)
 - Interest cost on the total pension liability
 - Changes in benefit terms that affect the total pension liability

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Change in Pension Expense Recognition

Pension Expense is Deferred and Amortized on Some Events:

- Deferred and recognized over a period equal to the average remaining service periods of active and inactive (including retirees) employees for:
 - Differences between expected and actual changes in economic and demographic factors
 - Changes in assumptions about economic and demographic factors
- Differences between actual and projected earnings on plan investments would be deferred and recognized as pension expense over a five-year, closed period

12

Cost-Sharing Employers – Huge Change

- A government participating in a cost-sharing plan would report a liability in its own financial statements that is equivalent to its proportionate share of the net pension liability of all the employers in the cost-sharing plan.
- Approach uses a basis for allocation of proportionate share based on the employer's contribution effort relative to that of all contributors

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A Deeper Dive into the Four Issues



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Major Focus Area #1

Net Pension Liability Reported on Balance Sheet

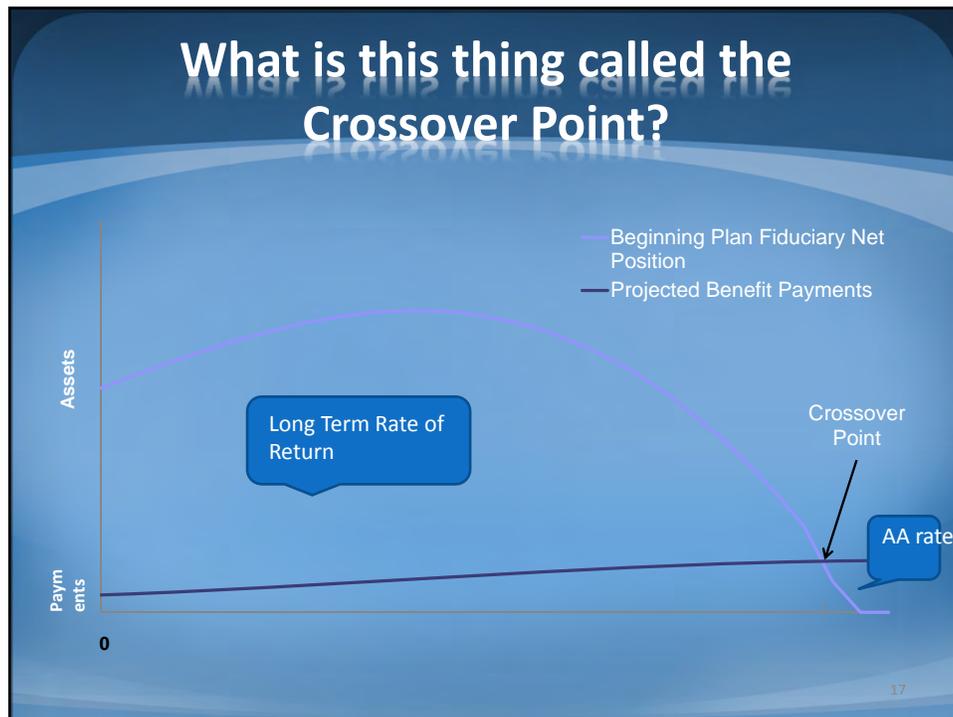
- Net Pension Liability (NPL)
 - Total pension liability (TPL) minus plan assets at market value (“plan net position”)
 - TPL uses new “blended” discount rate and “Entry age” cost method (**change for TRS**)
 - Similar to Unfunded Actuarial Accrued Liability (UAAL) but using market assets, not “smoothed” assets
 - Note 5-year asset smoothing still allowed (in determining pension expense), but reported separately (**likely change in all plans**)
- NPL must be reported on the employer’s balance sheet
 - Currently, UAAL is reported in the Required Supplementary Information (RSI)
 - Currently, only the Net Pension Obligation (NPO) is reported on the balance sheet
 - Cumulative difference between annual required contribution (ARC) and actual contributions

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The New “Blended” Discount Rate

- Discount rate is based on projected benefits, current assets, and projected assets for current members
 - Projected assets include future contributions that fund benefits for current members
 - Projected assets do not include employer or employee contributions that fund service cost for future employees
 - For projected benefits that are covered by projected assets
 - Discount using long-term expected rate of return on assets
 - For projected benefits that are not covered by projected assets (i.e., after the “cross-over date”)
 - Discount using yield on 20-year AA/Aa tax-exempt municipal bond index
 - Solve for a single rate that gives the same total present value
 - Use that single equivalent rate to calculate the total pension liability (TPL)

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Why Does it Matter?

- Simple- the lower the interest rate, the higher the liability
 - Private Sector uses “risk free rate of return” – **what’s yours?**
 - It’s what changed most private sector pensions to defined contribution (401k plans) by 1990
 - Equation is what took an extra year of GASB deliberation and meetings with public sector employer groups to hammer out
 - **In single employer plan like ERS** – will the current rate of 8% change??

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Major Focus Area 2 Decoupling Expense from Funding

- Currently, pension expense is based explicitly on an actuarially determined funding requirement
 - The ARC, which is the “annual required contribution”
 - Even though is not required to be contributed!
 - Based on established practices for managing contribution volatility
 - Asset smoothing and UAAL amortization
 - The ARC served as a de facto funding standard
- New GASB pension expense is the change in NPL each year, with deferred recognition of only certain elements
 - ARC Specifically not intended to be a funding target or standard

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New Pension Expense Components

- Changes in Total Pension Liability that are recognized (i.e., expensed) immediately—no deferrals allowed
 - Service cost – pensionable compensation x rate
 - + Annual interest on the TPL
 - - Projected investment returns over the year
 - + / - All plan amendments
- Immediate recognition of all plan amendments, whether for actives or retirees
 - Probably different from funding

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New Pension Expense Components

- Changes in Total Pension Liability where some deferrals are allowed (i.e., expensed over multiple periods)
 - Changes in actuarial assumptions
 - Actuarial gains and losses
- Changes are recognized in expense over average expected remaining service lives of active and inactive members (including retirees)
 - Resulting amortization periods will still be very short
 - 5 to 10 years
 - Shorter than for funding (currently ranges from 15 to 30 years)

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New Pension Expense Components

- Changes in Assets where some deferrals are allowed (i.e., expensed over multiple periods)
 - Differences between actual and projected earnings over the year (i.e., investment gain/loss)
 - Recognized in expense over closed 5-year period
 - Most systems use either 5- or 7-year asset smoothing for funding
 - So the NPL on balance sheet will be “market volatile”, but effect on expense and on employer net position will still reflect asset smoothing
 - Need to look at “Deferred Outflows and Inflows”
 - Effect on expense will be different from funding (and current ARC), where investment gain/loss is:
 - Smoothed over 5 or 7 years and
 - Also amortized as part of the UAAL

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Summary of New Pensions Expense Components – a great cheat sheet

- Changes in the employer's Net Pension Liability will be recognized in pension expense more quickly

Source of Change in the Net Pension Liability	Current Standards		New Standards	
	Expense	Deferral	Expense	Deferral
Service Cost	Immediate	None	Immediate	None
Interest on the TPL	Immediate	None	Immediate	None
Projected Investment Earnings	Immediate	None	Immediate	None
Changes in Benefit Terms			Immediate	None
Changes in Assumptions				
Differences between Assumed and Actual Economic and Demographic Factors	Initial period amount	Amortization over a period up to 30 years (closed or open)	Initial period amount	Expense over average remaining service period of actives and inactives
Differences between Projected and Actual Earnings				Expense over 5-year closed period
Other Changes in the NPL			Immediate	None

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Decoupling Expense from Funding

- The faster — often immediate — recognition of net pension liability changes will introduce much greater volatility in the reported pension expense.
 - This volatility will be reflected directly on the income statements of plan sponsors.
- This volatility is what disqualifies this new expense as a basis for determining a funding policy.
 - Two competing measures of plan cost
- Plans will want to review or adopt funding policies, now that GASB expense no longer provides funding guidance.
 - Funding policy also needed for discount rate calculation – and for disclosures

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What Does it All Mean?

- Fiscal folk in the room will have some explaining to do to decision – makers
 - Decision – makers are used to “Noah’s ARC” or the letter from the plan
 - Decision – makers are used to compensation x rate OR rate per employee
 - Budget and funding only a component of expense
 - **Suggestion** – use the previous slide to insert a schedule in MD&As to translate from annual contributions to annual expense as follows...

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A Possible Way to Translate for Decision-makers

Annual Contributions as determined by Actuary	\$x,xxx,xxx
Adjustments for annual amortizations of:	
Differences between actual and expected experience	
Changes in assumptions	
Differences between projected and actual earnings on plan investments	
(COST SHARING ONLY) Changes in proportion and differences between contributions and proportionate share of contributions	
Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB-71)	
Other	
Pension Expense	\$x,xxx,xxx

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Major Focus Area 3 Accounting for Cost-Sharing

- Current standards are simple
 - Pension expense is equal to the contractually required contribution
 - No “ARC”
 - Balance sheet only presents the sum of the difference (if any) since 1988 between the contractually required contribution and the actual contribution
 - Unfunded actuarial accrued liability is not reported at all

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Accounting for Cost-Sharing

- Under new standards cost sharing reporting same as a single - employer
 - Recognize proportionate share of *the plan's* total
 - Net Pension Liability
 - Pension Expense
 - Deferred Positions
- NONE of these are to be reported on the plan financial statements

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Example Schedule of Cost Sharing Proportion

EXAMPLE COST SHARING PENSION PLAN
 Schedule of Employer Allocations
 June 30, 2015

Final Design might be 5 years and average to comply with GAS-67

Employer/ Nonemployer (special funding situation)	2015	
	Actual Employer Contributions	Employer Allocation Percentage
State of Example	\$ 2,143,842	38.9 %
Employer 1	268,425	4.9
Employer 2	322,142	5.8
Employer 3	483,255	8.8
Employer 4	633,125	11.5
Employer 5	144,288	2.6
Employer 6	95,365	1.7
Employer 7	94,238	1.7
Employer 8	795,365	14.4
Employer 9	267,468	4.9
Employer 10	267,128	4.8
Total	\$ 5,514,641	100.0

STAY TUNED FOR AUDIT DETAILS OF THIS

Example

Example of Cost Sharing						
30-Jun-12 Source – A Statewide CAFR 2012, Statistical Section						
Participating Government	Contributions					
	2012		2003		Average	
Teachers	\$ 470,263	50.81%	\$ 203,847	49.38%	50.10%	
State Employees	311,349	33.64%	141,595	34.30%	33.97%	
Higher Education Employees	143,920	15.55%	67,371	16.32%	15.94%	
	\$ 925,532	100.00%	\$ 412,813	100.00%	100.00%	
Floating Variance of .0001%						
Theoretical Net Pension Liability						
Total Present Assets	30,118,178,556					
Total Liability	36,723,638,901					
Theoretical NPL						
	(6,605,460,345)					
Teachers	(3,309,005,360)	50.10% Further allocation needed				
State Employees	(2,243,874,879)	33.97% Further allocation needed				
Higher Education Employees	(1,052,580,106)	15.94% Further allocation needed				
	(6,605,460,345)	Floating Variance of .0001%				

Example

- Number will be different due to
 - Actuarial value vs. fair value of assets
 - Roll-forward of liabilities
- Other information needed to give to employers
 - Annual expense
 - Deferred Inflows of Resources
 - Deferred Outflows of Resources
- Further allocation in multiple levels necessary to
 - Proprietary Funds
 - Higher Education funds / campuses
 - School districts (**Special Funding Situations**)

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Example Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan

EXAMPLE COST SHARING PENSION PLAN
Schedule of Pension Amounts
June 30, 2015

Employer/ Nonemployer (special funding situation)	Deferred Outflow of Resources					Deferred Inflows of Resources			Pension Expense		
	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Differences Between Projected and Actual Investment Earnings	Changes in Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Differences Between Expected and Actual Economic Experience	Differences Between Actual and Projected Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportionate Share of Pension Expense
State of Example	\$ 38,589,135	428,768	2,058,088	1,500,690	782,365	380,371	1,063,285	-	584,365	1,878,717	12,375
Employer 1	4,831,647	53,685	257,688	187,898	96,633	47,625	153,131	-	125,325	235,229	(1,793)
Employer 2	5,798,553	64,428	399,256	225,499	115,971	57,156	159,773	-	245,286	282,303	(8,088)
Employer 3	8,698,588	96,651	463,925	338,279	173,072	85,742	239,681	-	125,632	423,492	3,021
Employer 4	11,396,244	126,625	607,800	443,188	227,925	112,332	314,012	-	386,325	554,828	(9,900)
Employer 5	2,597,183	28,858	138,516	101,002	51,944	25,600	71,563	-	42,358	126,444	599
Employer 6	1,716,569	19,073	91,550	66,756	34,331	16,920	47,298	-	24,325	83,571	625
Employer 7	1,696,283	18,848	90,468	65,967	33,926	16,720	46,739	-	125,325	82,584	(5,712)
Employer 8	14,316,562	159,073	763,550	556,756	286,486	141,118	394,478	-	152,005	697,004	8,405
Employer 9	4,814,421	53,494	256,769	187,228	68,325	47,456	132,657	-	87,325	234,391	(1,188)
Employer 10	4,808,301	53,426	256,443	186,990	67,528	47,395	132,488	-	41,035	234,093	1,656
Total	\$ 99,263,485	1,102,928	5,294,055	3,860,249	1,939,406	978,435	2,735,105	-	1,939,406	4,832,655	-

STAY TUNED FOR AUDIT DETAILS OF THIS

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Major Focus Area 4 Expansion of Disclosure Information

- Includes both Notes and Required Supplementary Information (RSI)
- **Greatly** expanded plan and employer disclosures, including:
 - Description of the plan and assumptions
 - Policy for determining contributions
 - Sensitivity analysis of the impact on NPL of a one percentage point increase and decrease in the discount rate
 - Changes in the NPL for the past 10 years
 - Development of long-term earnings assumption
 - Annual rates of investment return for past 10 years (plan only)

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Expansion of Disclosure Information

- More new disclosure information
 - “Actuarially determined (employer) contribution” (aka the ARC)
 - Basis and amount – if determined!
 - Comparison to amount actually contributed
 - May encourage review (or creation) of actuarial funding policy
- Expanded disclosures greatly increase the pension information needed for plan and employer’s financial statements
 - New and challenging questions for employer’s financials:
 - Which actuary/auditor develops this information?
 - Who pays for it?

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Timing and Frequency

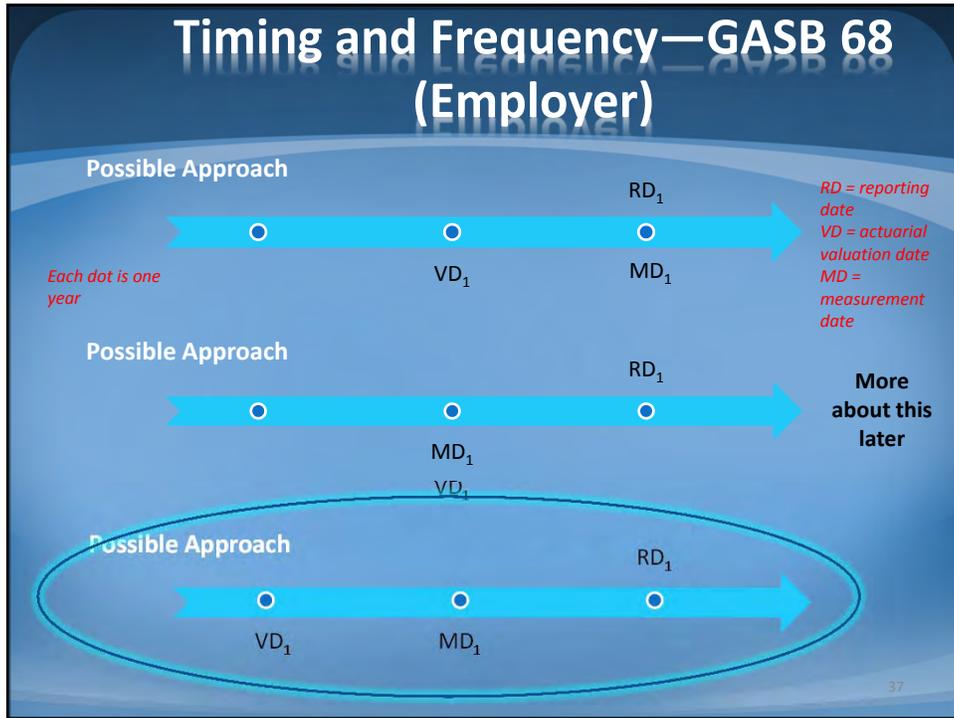
- Actuarial valuations must be at least biennial
- Recognition of significant changes between the actuarial valuation date and the measurement date:
 - Changes to benefit provisions
 - Size or composition of the membership
 - Change in municipal bond rate component of the discount rate
 - Other factors or assumptions that affect the valuation results

35

Timing and Frequency

- The new pension standards have **tremendous flexibility** in which plan financial statement / actuarial information to use
 - Liability is determined as of *either*
 - Actuarial valuation date
 - The plan's reporting date *or*
 - An actuarial valuation date no more than 24 months before the plan's reporting date, rolled forward
 - Assets are as of the *plan's* most recent fiscal year end

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GASB 68 Single or Agent Employers

Note Disclosures and Required Supplementary Information

38

SINGLE/AGENT EMPLOYERS FINANCIAL STATEMENTS

- Recognize full amount of NPL, Pension Expenses and Deferred Outflows and Inflows (100%).
- Recognition and Measurement using the economic resources measurement focus and accrual basis of accounting.
 - NPL recognized to the extent the liability is expected to be liquidated with **expendable available financial resources.
 - Calculated as: Amounts paid by the employer to the pension plan + the change between beginning and ending balances of amounts expected to be liquidated.

**** Means when benefits are due and payable, but the FNP is not sufficient to pay those benefits.**

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SINGLE/AGENT EMPLOYERS FOOTNOTES TO THE FINANCIAL STATEMENTS

- Significant Assumptions/Inputs used to calculate Total Pension Liability (TPL)
- Date of the Actuarial Valuation used to determine TPL
- Details regarding changes in assumptions for benefit terms, basis for determining employer contributions to the pension plan, purchase of allocated insurance contracts
- Number of employees covered of Active and Inactive Members (receiving and not receiving benefits)
- Current Year Sources of Changes in Net Pension Liability

40

SINGLE AGENT EMPLOYERS REQUIRED SUPPLEMENTARY INFORMATION (RSI)

1. **10 Years** - Sources of changes in the Net Pension Liability (NPL)
2. **10 Years** - Components of TPL, FNP, NPL and Related Ratios
 - Plans Fiduciary Net Position (FNP) as a % of TPL
 - NPL as % of Covered-Employee Payroll
3. **10 Years (if applicable)** - If contributions are actuarially determined, schedule covering 10 most recent fiscal years including information on actuarially determined contributions, contributions to the pension plan, and related ratios.
4. **10 Years (if applicable)** - If contributions established by statute, 10 most recent years of statutorily required contributions, contributions to the pension plan and related ratios.

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SINGLE AGENT EMPLOYERS REQUIRED SUPPLEMENTARY INFORMATION (RSI) - FOOTNOTES

- Notes to RSI – Significant assumptions used to calculate actuarially determined contributions (if applicable) – Single/Agent Employers Only
- Notes to RSI - Factors that affect the trends in the amounts reported in the schedules (i.e. changes in benefit terms, size and composition of the population, use of different assumptions) – All Employers

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Required Supplementary Information

	20X9	20X8	20X7	20X6	20X5
Total pension liability					
Service cost	\$ 101,695	\$ 100,317	\$ 103,471	\$ 98,685	\$ 81,657
Interest	231,141	219,193	200,491	185,434	171,179
Benefit changes	-	-	-	-	-
Differences between expected and actual experience	(69,638)	(41,374)	(9,387)	17,438	29,183
Changes of assumptions	-	-	63,375	-	-
Benefit payments	(124,083)	(118,311)	(109,281)	(99,654)	(91,558)
Refunds of contributions	(2,780)	(2,764)	(2,927)	(2,684)	(2,251)
Net change in total pension liability	136,335	167,051	245,742	199,219	188,210
Total pension liability—beginning	3,045,893	2,888,832	2,643,090	2,443,871	2,255,661
Total pension liability—ending (a)	\$3,182,228	\$3,045,893	\$2,888,832	\$2,643,090	\$2,443,871
Plan net position					
Contributions—employer	\$ 109,544	\$ 107,028	\$ 105,755	\$ 103,089	\$ 89,054
Contributions—member	51,119	50,344	54,949	51,926	41,411
Net investment income	199,273	83,235	(30,957)	131,629	236,486
Benefit payments	(124,083)	(118,311)	(109,281)	(99,654)	(91,558)
Administrative expense	(3,427)	(3,333)	(3,046)	(2,684)	(2,349)
Refunds of contributions	(2,780)	(2,764)	(2,927)	(2,684)	(2,251)
Other	8	(34)	37	9	(88)
Net change in plan net position	229,654	116,165	14,530	181,631	270,705
Plan net position—beginning	2,283,333	2,167,168	2,152,638	1,971,007	1,700,302
Plan net position—ending (b)	\$2,512,987	\$2,283,333	\$2,167,168	\$2,152,638	\$1,971,007
Net pension liability—ending (a) – (b)	\$ 669,241	\$ 762,560	\$ 721,664	\$ 490,452	\$ 472,864

Note: Only 5 years are presented here;
10 years of information would be required

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Required Supplementary Information

	20X9	20X8	20X7	20X6	20X5
Total pension liability	\$ 3,182,228	\$ 3,045,893	\$ 2,888,832	\$ 2,643,090	\$ 2,443,871
Plan net position	(2,512,987)	(2,283,333)	(2,167,168)	(2,152,638)	(1,971,007)
Net pension liability	\$ 669,241	\$ 762,560	\$ 721,664	\$ 490,452	\$ 472,864
Ratio of plan net position to total pension liability	78.97%	74.96%	75.02%	81.44%	80.65%
Covered-employee payroll	\$ 435,373	\$ 432,256	\$ 426,939	\$ 412,280	\$ 387,055
Net pension liability as a percentage of covered-employee payroll	153.72%	176.41%	169.03%	118.96%	122.17%

Note: Only 5 years are presented here;
10 years of information would be required

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Required Supplementary Information

	20X9	20X8	20X7	20X6	20X5
Actuarially calculated employer contribution	\$ 109,544	\$ 107,028	\$ 105,755	\$ 103,089	\$ 89,054
Actual employer contributions	<u>(109,544)</u>	<u>(107,028)</u>	<u>(105,755)</u>	<u>(103,089)</u>	<u>(89,054)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 435,373	\$ 432,256	\$ 426,939	\$ 412,280	\$ 387,055
Actual contributions as a percentage of covered-employee payroll	25.16%	24.76%	24.77%	25.00%	23.01%

Note: Only 5 years are presented here;
10 years of information would be required

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Plan Required Supplementary Information

SCHEDULE OF INVESTMENT RETURNS Last 10 Fiscal Years

	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0	20W9
Annual money-weighted rate of return, net of investment expense	8.19%	11.23%	9.28%	13.50%	4.09%	(4.28%)	(3.82%)	12.63%	11.01%	12.91%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

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GASB 68 Cost Sharing Employers



Note Disclosures and Required
Supplementary Information

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ATTRIBUTES OF A COST SHARING EMPLOYER

- Recognize only a proportionate share of the “Collective NPL”, Pension Expenses and Deferred Outflows and Inflows.
- Based on annual assessed contributions by employer.
- Proportionate share could change from year to year.

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COST SHARING EMPLOYERS FOOTNOTES TO THE FINANCIAL STATEMENTS

- Include all Single Agent Employer Information
- +
- Descriptive information about the pension plan
 - Identify the Discount Rate
 - Assumptions made in measuring employer's proportionate shares of net pension liabilities, basis of proportion, and changes in proportion from year to year

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COST SHARING EMPLOYERS FOOTNOTES TO THE FINANCIAL STATEMENTS

- Descriptive Plan Information
 - Name of the Pension Plan
 - Identification as Single Employer/Agent Plan/Cost Sharing Plan and the Plan Administrator
 - Benefit Terms (classes of employees covered, types of benefits, key elements of the pension formula, automatic COLAs, authority under which benefit terms are established)
 - Number of employees covered allocated by inactive employees (receiving benefits), inactive members (entitled to but not receiving benefits, and active members)
 - Brief description of Contribution Requirements
 - Whether the pension plan issues a standalone financial report or included part of another government entity.

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COST SHARING EMPLOYERS FOOTNOTES TO THE FINANCIAL STATEMENTS

- Discount Rate Disclosures
 - Discount Rate applied and change from last measurement date.
 - Assumptions about projected cash flows related to the pension plan including contributions from employers, non-employers and employees.
 - Long-term expected rate of return and how it was determined.
 - Municipal bond rate used and source of that rate.
 - Breakdown of how projected benefit payments are allocated between those applied to the long-term expected rate of return and municipal bond rate to arrive at the discount rate.
 - Assumed Asset Allocation and long-term expected rate of return applied to each asset class.
 - NPL calculated using a discount rate that is +/-1% than stated Discount Rate

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COST SHARING EMPLOYERS FOOTNOTES TO THE FINANCIAL STATEMENTS

Significant Assumptions

- Inflation
- Salary Changes
- Ad Hoc post-employment benefit changes (COLA)
- Mortality Assumptions/Source of Assumptions (i.e. published mortality table/experience study)
- Dates of the Experience Study

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REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR FINANCIAL STATEMENTS

- **10 Year** – Employer’s Proportionate Share (% , Amount) of Collective NPL, Covered Employee Payroll, Net Pension Liability as a % of Employee Covered Payroll, Pension Plans Net Position as % of TPL
- **10 Year** – Schedule of Changes in NPL
- **10 Year** - FNP/TPL/Funded Status/Covered Payroll/NPL as % of Payroll
- **10 Year** - ADEC to Actual Contributions (If necessary)
- **10 Year** - Statutory/Contractual Contributions to Actual Contributions and Payroll (If necessary)

10 Year Schedules not required in year of implementation other than the ADEC schedule which is presented in full.

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10 YEAR SCHEDULE OF CONTRIBUTIONS

If contributions to the plan are actuarially determined: the employers actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered-employee payroll.

54

Special Funding Situations (aka most school districts nationwide)



Note Disclosures and Required
Supplementary Information

55

What is an SFS?



56

SPECIAL FUNDING SITUATIONS DEFINED

Where non-employer (example – a state) is **legally responsible** for making contributions to the pension plan.

Requirements:

1. The amount of contributions is not dependent on one or more events unrelated to the pension.
2. The non-employer is the only entity with a legal obligation to make a contribution directly to the plan.

THOUGHTS ANYONE???

57

SPECIAL FUNDING SITUATIONS

- Effect on Employer (example – School District):
 - Employer must recognize the pension liability plus an adjustment for the involvement of the non-employer entities (e.g. 100% less 100%)
 - Recognize **proportionate share** of Deferred Outflows and Inflows of resources
 - Employer is required to recognize the **proportionate share** of the collective pension expense/revenue of both employer and non-employer contributions.
 - **Proportionate share of expense may not equal proportionate share of revenue**

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OTHER FOOTNOTE DISCLOSURES TO BE CONSIDERED WHEN NON-EMPLOYERS ARE INVOLVED

1. Government Non-Employer's Contributing Share of all accounting elements
2. Brief description of assumptions that affect pension liability (since last measurement date).
3. Amount of expense recognized by non - employer as a result of special funding.
4. Non-employer's balances of deferred positions

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OTHER REQUIRED SUPPLEMENTARY INFORMATION TO BE CONSIDERED WHEN NON-EMPLOYERS ARE INVOLVED

- **10 Year** - Schedule of Non-Employer's Contribution Entity's proportion (% and Amount of Collective NPL; FNP/TPL)
- **10 Year** - Schedule if the Non-Employer is statutorily required to make contributions detailing required contribution, actual contributions (including pension plan receivables) and the difference
- **10 Year** - Schedule of Changes in Net Pension Liability used to determine the proportionate share of the Collective NPL belonging to the Employers versus Non-Employers.
- Other Footnotes/RSI may be required

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SPECIAL FUNDING SITUATION

- Note that the Non-Employer Entity must also disclose in the their Financial Statement Footnotes:
 - If the Non-Employer recognizes a substantial part of the employers collective NPL, it should disclose description of the pensions, types of employees covered, discount rate, assumptions made in measurement of the NPL.
 - RSI same as Cost Sharing Employer
- What is meant by “Substantial”? Unclear....wait for more guidance to clarify.

61

Effective Date and Transition Issues

- **Plans** – Fiscal years *beginning after* June 15, 2013
- **Employers** – Fiscal years *beginning after* June 15, 2014
- Prior period adjustments will likely take place for a number of years as deferred positions become clarified
- RSI
 - If data is unknown at transition – must include a text box on each schedule explaining why – similar to GASB-54

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Prior Period Adjustments

- Example:
 - Employer – Net Pension Liability as of **June 30, 2015**
 - Measurement date – June 30, 2014 (annual valuation from 7/1/13 to 6/30/14)
 - No comparative financial statements
 - **Prior period adjustment would be as of 7/1/14** including
 - Deferred outflows *determined as of the beginning of the year*
 - » **Contributions from July 1, 2013 to June 30, 2014**
 - NPL
 - Deferred inflows / outflows as of the measurement date

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Prior Period Adjustments

- How to PPA:
 1. Remove any Net Pension Obligation
 2. Remove any payables to the plan
 3. Add the balance of any NPL or proportion *as of the beginning of the period*
 4. Add deferred outflows of resources for contributions *after the measurement date* – **see next section**
 5. Add deferred outflows of resources / deferred inflows of resources *as of the beginning of the period*
 6. Add any payables to the plan as of the beginning of the period

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Prior Period Adjustments

- If employer can determine deferred outflows / inflows of resources from investments, contributions **but cannot determine all other deferrals**
 - Don't record deferred positions of investments at implementation, only contributions.
 - Prior period adjustments when all others known
 - If can't determine all remaining deferred positions for all historical periods, report none except for contributions
 - Again – PPAs when known

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The GASB Fix (aka GASB 71)



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Again – the problem in Implementation

- GASB 68 requires employer to recognize NPL as of **the measurement date** no earlier than the prior fiscal year end
- Contributions made during the period *after measurement date but before reporting date* is required to be deferred
- Transition to new standards
 - If not practical to determine *all* deferred positions at transition, then start at zero.
 - BUT – contributions deferred!
 - Houston... we have a problem...

67

Updated transition guidance

- Recognize a deferred amount for pension contributions made after actuarial report but before fiscal year end
- Recognize no other beginning balance for deferred positions **unless known at transition**
- Effective date – same as GASB-68

68

Defined Contribution Plan Changes – GASB-67



69

New Pension Standards do apply to DC Plans if:

- Pensions are provided to employees or volunteers (ex: volunteer firefighters) that meet 3 requirements
 - Contributions from all sources and earnings remain in trust until benefits are paid (irrevocable)
 - Assets are solely to pay for benefits per terms and
 - Assets are legally protected from creditors of all entities (even administrator)
- If yes to all 3, then new GASB applies

70

New Pension Standards - DC Plans

- Reporting for the plan is similar to DB plans
 - Similar financial statements
 - Assets (cash, investments, receivables)
 - Liabilities (benefits payable, administrative)
 - Net Position
 - Inflows and outflows similar to today
 - Notes need to include descriptive information about
 - The plan
 - Classes of employees and retirees
 - Number of plan members and employers (if multiple)
 - Authority under which plan was established or may be amended

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New Pension Standards DC Employers

- Financial statement amounts are dependent on whether or not there is a special funding situation (see previous)
- If no special funding situation
 - Pension expense is declared in funds and entity wide

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New Pension Standards DC Employers – Pension Expense Calculation

NO SPECIAL FUNDING SITUATION	Entity Wide Statements	Proprietary Funds	Governmental Funds
Contributions or <i>credits</i> to employee's accounts attributable to current period service	Yes	Yes	No – Pension Expenditures = total amount paid adjusted to change in balances between beginning and ending amounts expected to use current resources
Less: Forfeited amounts that are removed from employees accounts and NOT given to other employees	Yes	Yes	
	= Pension Expense	=Pension Expense	See above
Difference in pension expense and amounts paid to plan	= Increase / Decrease in Liability or Asset		Liability = amounts expected to be paid out of current resources

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Employer Reporting of DC Plans

- Liabilities associated with different DC plans may be aggregated as long as assets are not netted with them
- If Special Funding Situation
 - Non-employer contributor would effectively report a grant to the employer
 - Employer receiving the contribution reports a subsidy inflow

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Employer Reporting of DC Plans

- Notes Required for each plan contributed to
 - Name, administration of the plan
 - Brief descriptions
 - Benefit terms, authority under which they are established and can be amended
 - Vesting
 - Forfeitures policies and amounts for the year
 - Contributions (or crediting) rates (dollars *or* percentage of salary) separately for employees, employer, nonemployer contributing entities
 - Also authority to establish or amend
 - Amount of pension expense recognized during period
 - Amount of forfeitures reflected in expense
 - Amount of liability outstanding at period end

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Additional Note Disclosures for DC Employers with SFSs

- In addition to previous disclosures
 - Proportion of total pension expense for the employer as compared to all employers in plan
 - Amount of revenue recognized as the subsidy / support provided by nonemployer contributors

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Other SFS Disclosures in DC Plans

Item	If NonEmployer contributes a "substantial" portion of total contributions	If less than a "substantial" portion of total contributions	Contributing Entity not in an SFS
Name of plan, basic descriptions	Yes	Yes	Yes
Benefit terms	Yes	NO	No
Contributions	Yes	Yes	No
Annual expense	Yes	Yes	Yes
End of year liability	Yes	Yes	No

77

Coming Up for Air



Auditing and Best Practices for Implementation

78

Key Concerns & Decision Points - Plans

- GASB 67 adoption
- For all plans
 - Timing and content of information to employers
 - Should we engage auditors to provide assurance on employer information?
 - Investment valuation - precision v. timeliness
 - Employer selection of measurement date
 - Selection of actuarial valuation date
 - Employer involvement in establishing assumptions
 - Plan auditor understanding of actuarial information
 - Implementation concerns (timing, resources)
- Single-employer plans - ERS
 - Impact of stand-alone departmental or component unit reporting

79 // experience direction

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Key Concerns & Decision Points - Plans

- **Special funding situations - Identification**
 - Handling differences of opinion
- **Cost-sharing multiple-employer plans**
 - Calculating allocation percentages
 - Employers and their auditors coming to visit
 - Who is going to pay for this?
- **Agent multiple-employer plans**
 - Who should calculate pension amounts for each employer?
 - Employers and their auditors coming to visit
 - Differences in actuarial assumptions by employer
 - Relationship between plan actuary and employers/employer auditors

80 // experience direction

Who is going to pay for this?

80

Key Concerns & Decision Points - Employers

- For all plans
 - Choosing measurement date
 - Relationship between measurement date and plan year-end
 - Actuarial valuation - precision v. timeliness
 - Involvement in establishing assumptions
 - Reliance on plan actuary as management specialist
 - Qualifications of plan auditor
 - Will plan engage auditors to provide assurance on employer information?
 - Implementation concerns (timing, resources)
- Single-employer plans
 - Impact of stand-alone departmental or component unit reporting

81 // experience direction

81

Key Concerns & Decision Points - Employers

- Special funding situations (do we have them?)
 - Identification
 - Handling differences of opinion
- Cost-sharing multiple-employer plans (big issue in Texas!)
 - Obtain amounts and disclosures for the financials
 - Evaluating accuracy of information
 - What work will my auditors need to do?
- Agent multiple-employer plans (Becoming not an issue??)
 - Where will amounts and disclosures for the financials come from?
 - Who is responsible for accuracy and verifiability of information?
 - What work will my auditors need to do?
 - Involvement in establishing actuarial assumptions

82 // experience direction

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Key Concerns & Decision Points - Auditors

- For all plans
 - Timing of information needed for audit
 - Role in evaluating actuarial assumptions
 - Need to engage auditor's specialist?
 - Will plan engage auditors to provide assurance on employer information?
 - Did plan auditors engage a specialist?
 - Qualifications of plan auditor
 - Implementation concerns (timing, resources)
 - Sufficient appropriate audit evidence for unmodified opinion?
- Single-employer plans
 - Impact of stand-alone departmental or component unit reporting

83 // experience direction

83

Key Concerns & Decision Points - Auditors

- Special funding situations
 - Identification
 - Handling differences of opinion
- Cost-sharing multiple-employer plans
 - Who will audit collective amounts and allocation of amounts to participating employers?
 - Obtaining sufficient audit evidence on actuarial information
 - Who will test census data at participating employers?
- Agent multiple-employer plans
 - Obtaining sufficient audit evidence on actuarial information
 - Who will test census data at participating employers?

84 // experience direction

84

AUDIT CONSIDERATIONS - KEY DATES

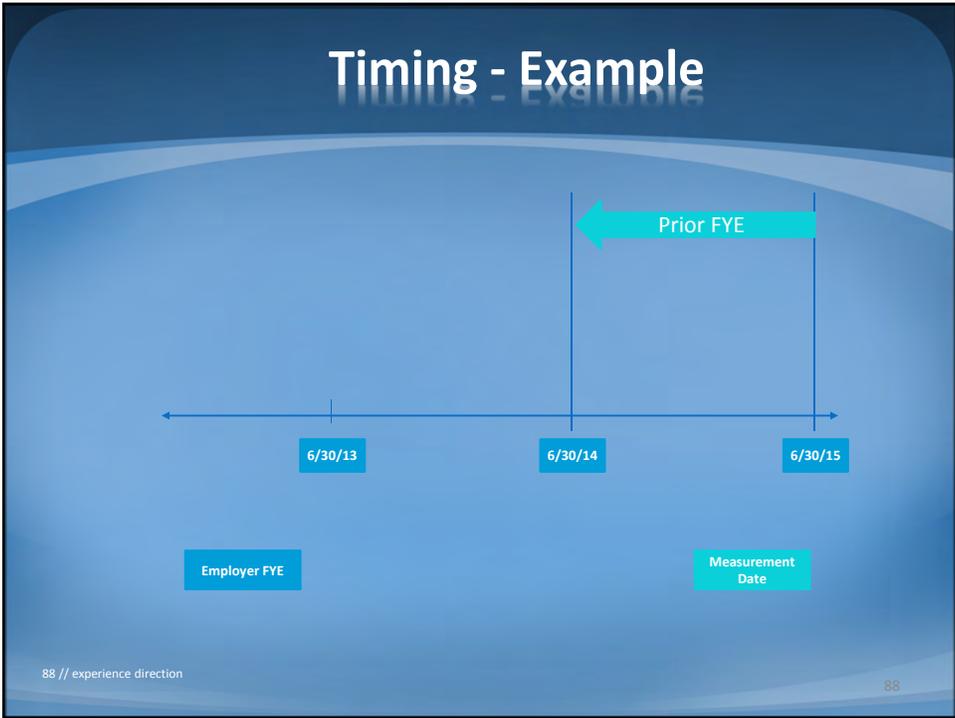
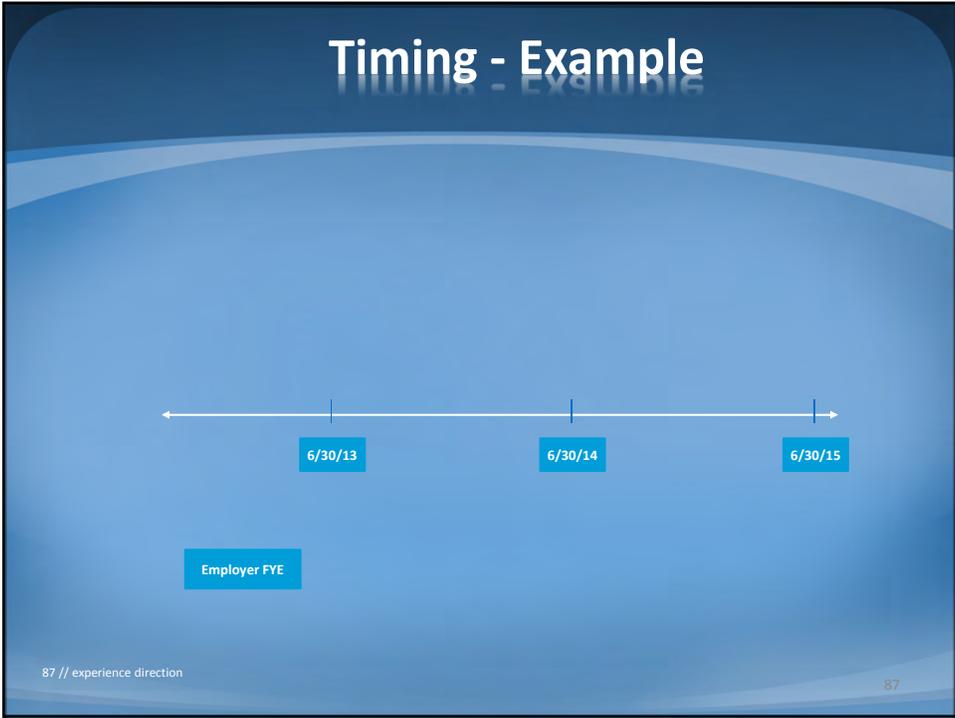
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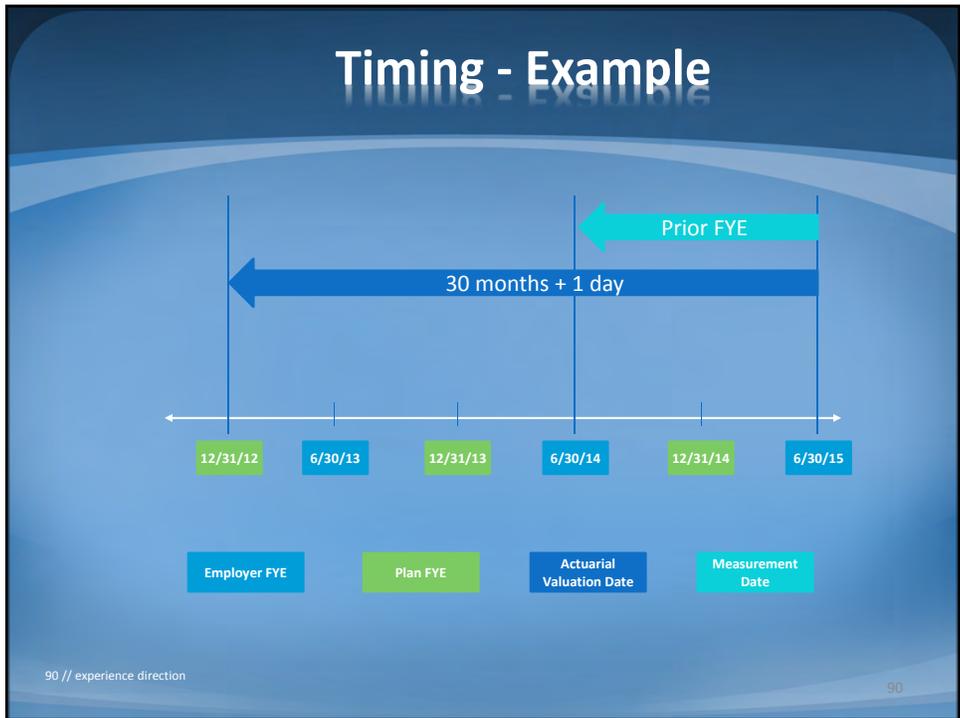
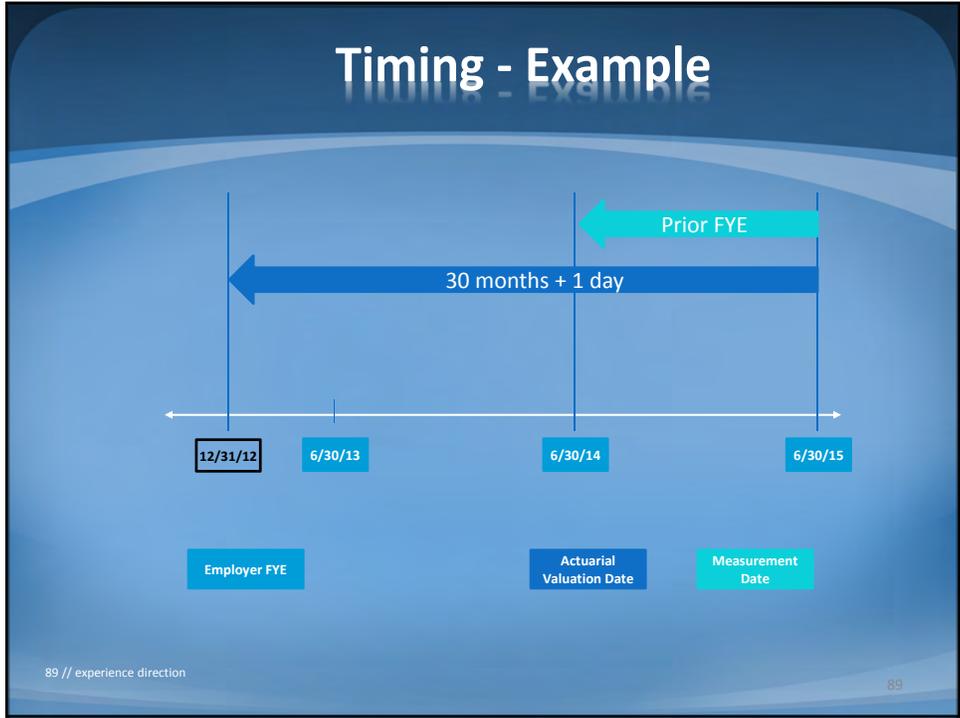
Key Dates

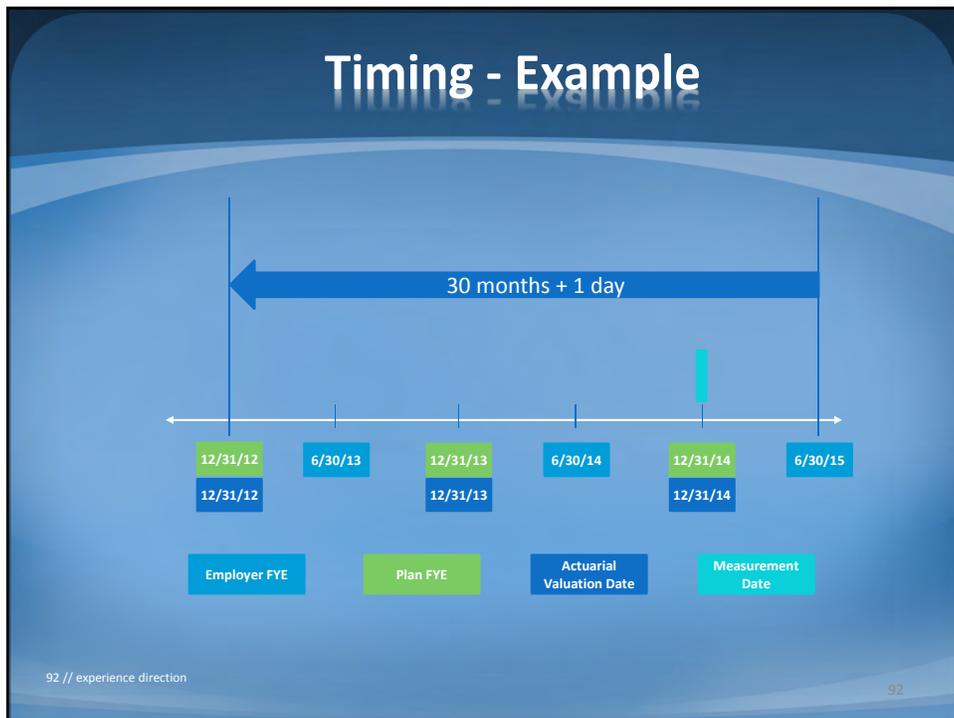
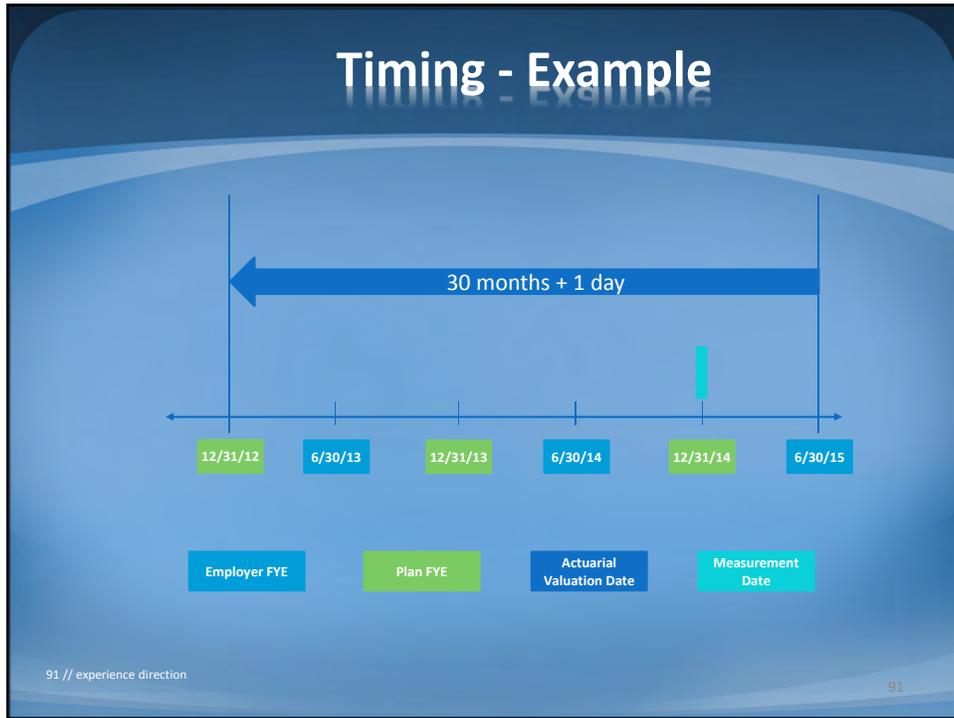
- Potentially 3 different dates we need to think about
 - Employer fiscal year-end
 - Measurement date (of NPL)
 - As of date no earlier than end of prior fiscal year
 - Both components (TPL/plan net position) as of the same date
 - Actuarial valuation date (of TPL)
 - If not measurement date, as of date no more than 30 months (+1 day) prior to FYE
 - Actuarial valuations at least every 2 years (more frequent valuations encouraged)
- Coordination with pension plan

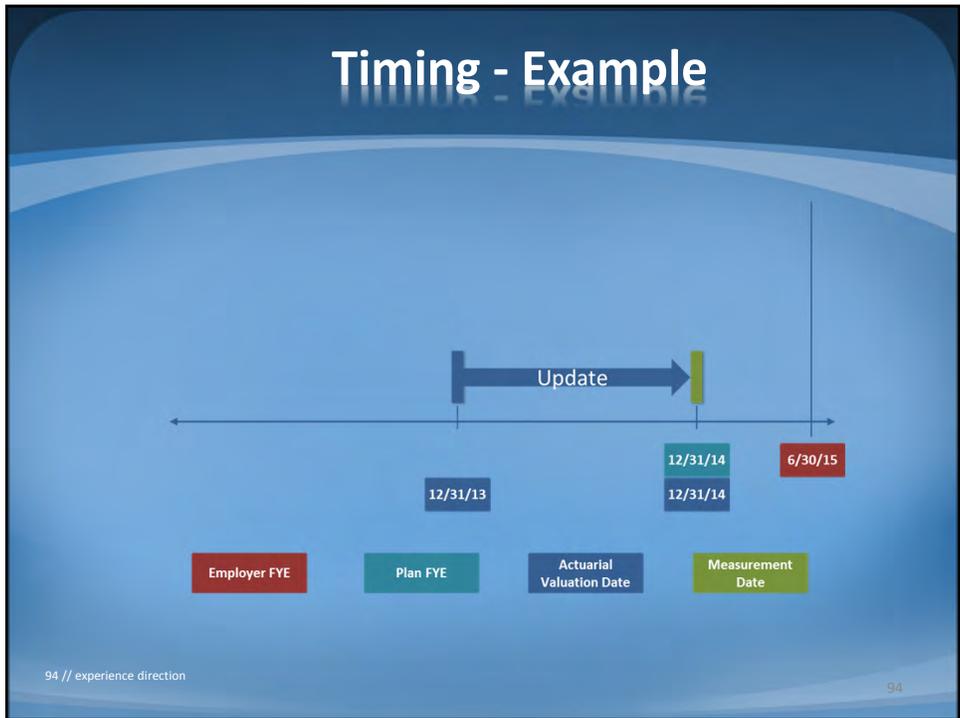
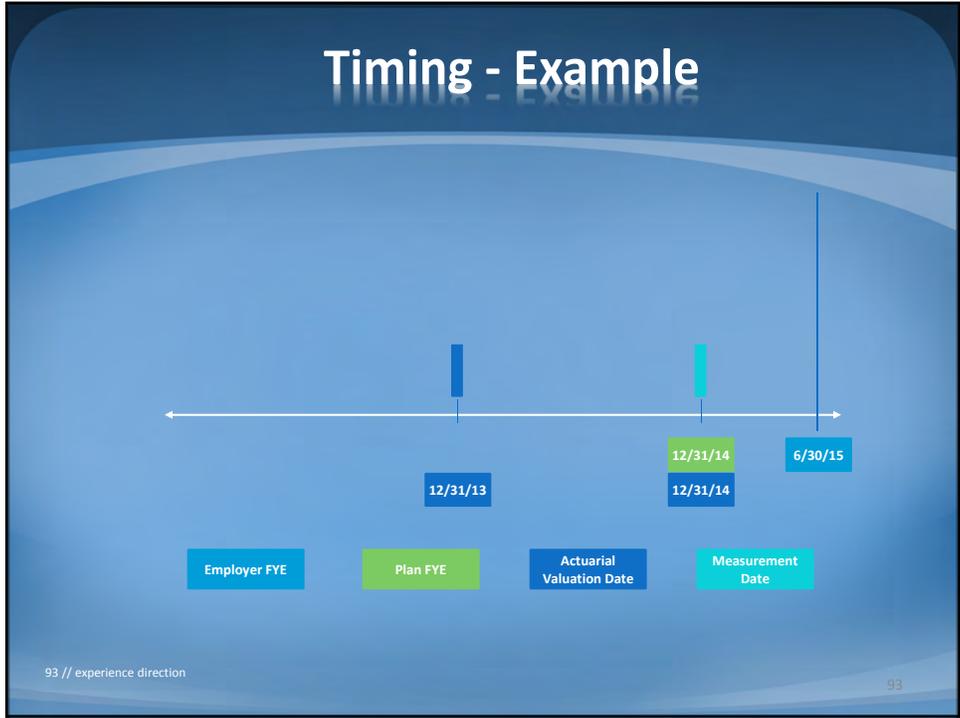
86 // experience direction

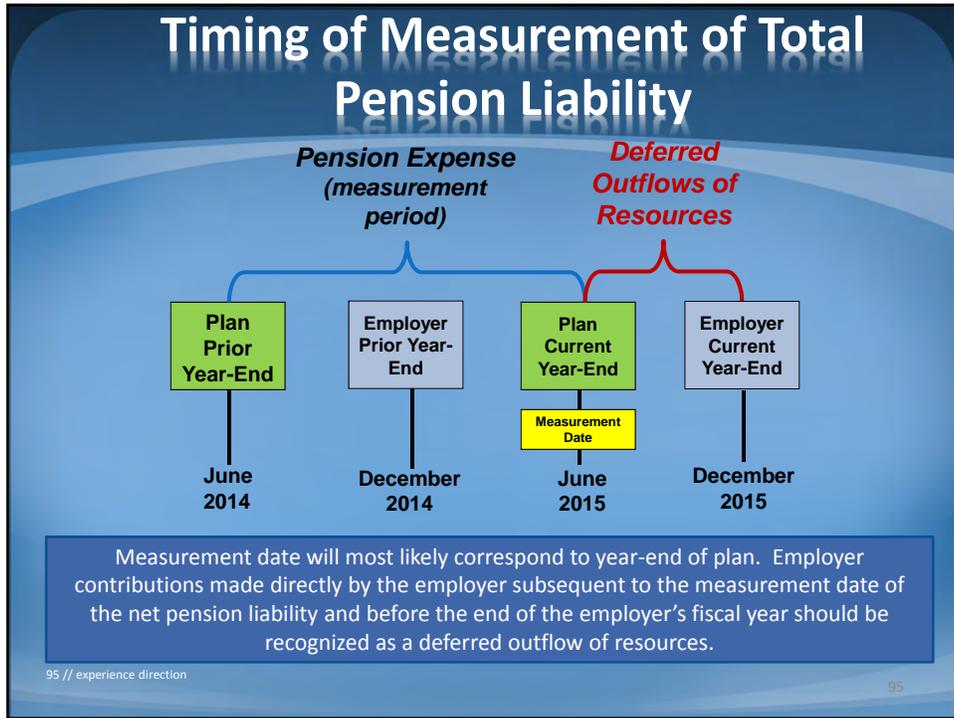
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AUDIT CONSIDERATIONS - ACTUARIAL INFORMATION

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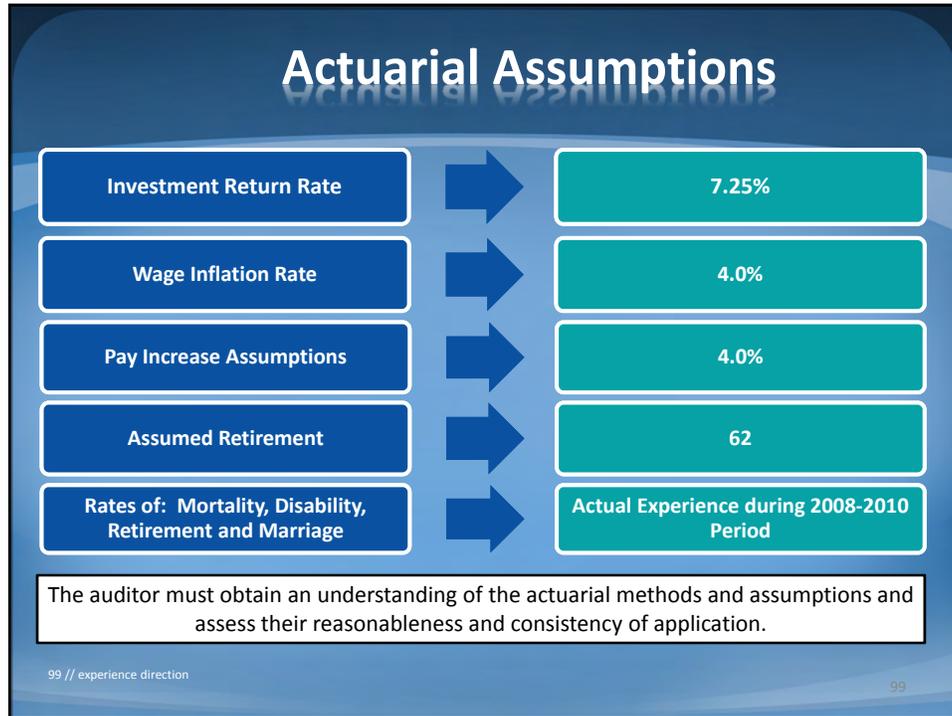
Where to Start?

- Read statutes/plan document
 - Gain understanding of key provisions
- Obtain actuarial valuation report
 - Measurement date
 - Key assumptions
 - Plan provisions
- Obtain and test census data from actuary and payroll
- Obtain confirmation from actuary
- Evaluation of management's specialist
- Consider need for auditor specialist

Actuarial Valuation Report

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Investment Return Rate

- Employer should be able to prove out based on investment mix and expected rates of return
- Auditor test for reasonableness
- Example

Investment Type	Allocation (A)	Expected Return (B)	Total (A x B)
Equities	60%	10%	6.0%
Fixed Income	30%	6%	1.8%
Cash Equiv.	10%	2%	0.2%
			8.0%

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Discount rate calculation

Year (a)	Projected Beginning Fiduciary Net Position (b)	Projected Benefit Payments		Actuarial Present Values of Projected Benefit Payments			
		Projected Benefit Payments (c)	"Funded" Portion of Benefit Payments (d)	"Unfunded" Portion of Benefit Payments (e)	Present Value of "Funded" Benefit Payments (f) = (d) ÷ (1 + 7.5%) ^(a)	Present Value of "Unfunded" Benefit Payments (g) = (e) ÷ (1 + 4%) ^(a)	Present Value of Benefit Payments Using the Single Discount Rate (h) = (c) ÷ (1 + 5.29%) ^(a)
1	\$ 1,431,956	\$ 109,951	\$ 109,951	\$ -	\$ 102,280	\$ -	\$ 104,427
2	1,500,197	116,500	116,500	-	100,811	-	105,088
3	1,565,686	123,749	123,749	-	99,613	-	106,019
4	1,628,547	131,690	131,690	-	98,610	-	107,154
5	1,687,890	140,229	140,229	-	97,678	-	108,370
6	1,742,722	149,168	149,168	-	96,655	-	109,487
7	1,792,194	158,466	158,466	-	95,516	-	110,468
8	1,835,463	168,332	168,332	-	94,384	-	111,450
9	1,871,402	178,591	178,591	-	93,150	-	112,302
10	1,898,930	189,069	189,069	-	-	-	112,918
26	547,880	322,779	322,779	-	-	-	84,503
27	316,985	326,326	-	-	-	-	81,140
28	64,800	328,997	-	-	-	-	77,694
29	-	330,678	-	-	-	-	74,168
30	-	331,266	-	331,266	-	102,135	70,567
96	-	1	-	1	-	-	-
97	-	-	-	-	-	-	-
Total					\$ 2,109,333	+ \$ 1,724,534	= \$ 3,833,867

The sum of the present values of the two benefit payment streams is calculated.

Census Data

- Key census data
 - Date of birth
 - Gender (male or female)
 - Date of hire or years of service
 - Date of termination or retirement
 - Marital status
 - Spouse date of birth
 - Eligible compensation (may NOT equal W-2s, especially in higher education)
 - Employment status
- Auditing census data
 - Active employees
 - Inactive/retired
- Resolving exceptions

The auditor must test the reliability and completeness of the census data provided to the actuary.

Census Data - Multiple-Employer PERS

- When auditing participant data in a multiemployer benefit plan, the auditor is often unable to directly test payroll records
- AICPA EBP Guide (10.10) states census data for participating employers should be subject to test work on a cycle basis - with a four-year cycle being typical. Testing may be performed by
 - In-house compliance personnel,
 - Employer auditors, *i.e.*, agreed upon procedures, or
 - Auditor of plan

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AUDIT CONSIDERATIONS - YOU MAY HAVE TO USE A SPECIALIST

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Specialists

Definitions

- **Auditor's Specialist** - Individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's specialist may be either an auditor's internal specialist or an auditor's external specialist
- **Management's Specialist** - An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements

Determining Whether to Use work of Management's specialist as Audit Evidence

- The nature, scope and objectives of the work of specialist
- Whether specialist is employed by entity or is party engaged to provide relevant services
- Extent to which management exercises control or influence or work of specialist
- Competence and capabilities of specialist
- Whether specialist is subject to technical performance standard or professional or industry requirements
- Auditor's ability to evaluate work and findings of specialist without assistance of auditor's specialist

AICPA White Papers

- Cost-sharing
- Cost-sharing census data
- Agent

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AICPA Interpretations

- Cost-sharing
- Agent

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ISSUES & AICPA RECOMMENDATIONS RELATED TO COST-SHARING MULTIPLE- EMPLOYER PLANS

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Cost Sharing Employers

- 2 White Papers published by AICPA
 - Census data testing
 - Plan reporting to employers
- Census data testing would be **based on risk**
 - Testing coordinated by plan auditor
 - Employers > 20% of plan active employees tested annually
 - Likely State only?
 - Between 5% and 20% - tested every 5 years **Any?**
 - Less than 5% - tested every 10 years **but some tested annually to get comfort**
 - Very small employers may never get tested – immaterial
 - Report is an attestation report

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Cost-Sharing Plan Issues

- Audited plan financial statements don't give participating employers everything they need
- Determining allocation percentages
 - Who will make the determination?
 - Do all employers have to use same allocation method?
- How will allocation percentages and other relevant information be audited?
- *Potential solutions* AICPA whitepapers at <http://www.aicpa.org/INTERESTAREAS/GOVERNMENTALAUDITQUALITY/RESOURCES/GASBMATTERS/Pages/default.aspx>
Remember – these are “best practices” and NOT GAAS until / if auditing standards board approves

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Cost-Sharing Plan Issues - Potential Solutions

- Plan provides supplemental “schedule of employer allocations” for which plan auditor is engaged to provide opinion
 - Use allocation method based on covered payroll or required (actual) contributions representative of future contributions and appropriate based on classes of benefits provided
 - Projected future contributions could be used if necessary (harder to audit)
 - **# of decimal places may become important for plans with large number of participating employers**
- Note: Above not required by standard, but other alternatives create inconsistency and additional audit burden

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Reminder - Example Schedule of Employer Allocations

EXAMPLE COST SHARING PENSION PLAN

Schedule of Employer Allocations

June 30, 2015

Employer/ Nonemployer (special funding situation)	2015	
	Actual Employer Contributions	Employer Allocation Percentage
State of Example	\$ 2,143,842	38.9 %
Employer 1	268,425	4.9
Employer 2	322,142	5.8
Employer 3	483,255	8.8
Employer 4	633,125	11.5
Employer 5	144,288	2.6
Employer 6	95,365	1.7
Employer 7	94,238	1.7
Employer 8	795,365	14.4
Employer 9	267,468	4.9
Employer 10	267,128	4.8
Total	\$ 5,514,641	100.0

Allocation may be historical or actuarial

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Cost-Sharing Plan Issues - Potential Solutions

- Plan provides supplemental “schedule of plan pension amounts by employer” for which plan auditor engaged to provide opinion
 - Supplemental schedule showing the following amounts by employer
 - Net pension liability
 - Deferred outflows (by category)
 - Deferred inflows (by category)
 - Pension expense
- Alternative - “schedule of collective pension amounts”
 - Apply allocation percentages from other schedule
 - Would not reflect employer-specific deferrals

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Reminder - Example Schedule of Employer Pension Amounts

EXAMPLE COST-SHARING PENSION PLAN
Schedule of Pension Amounts
June 30, 2015

Employer/ Nonemployer (special funding situation)	Deferred Outflow of Resources				Deferred Inflows of Resources				Pension Expense		
	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Share of Pension Expense	Differences Between Expected and Actual Economic Experience	Differences Between Actual and Projected Investment Earnings	Changes of Assumptions	Share of Pension Expense	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Proportionate Share of Pension Expense
State of Example	\$ 38,989,135	428,768	2,058,088	1,500,690	782,365	380,371	1,063,285	-	584,365	1,878,717	12,375
Employer 1	4,831,647	53,685	257,688	187,898	96,633	47,625	133,131	-	125,325	235,229	(1,793)
Employer 2	5,798,553	64,428	309,256	225,499	115,971	57,156	159,773	-	245,386	282,303	(8,088)
Employer 3	8,698,585	96,651	463,925	338,279	173,972	85,742	239,681	-	125,632	423,492	3,021
Employer 4	11,396,244	126,625	607,800	443,188	227,925	112,332	314,012	-	386,325	554,828	(9,900)
Employer 5	2,597,183	28,858	138,516	101,002	51,944	25,600	71,563	-	42,358	126,444	599
Employer 6	1,716,569	19,073	91,550	66,756	34,331	16,920	47,298	-	24,325	83,571	625
Employer 7	1,696,283	18,848	90,468	65,967	33,926	16,720	46,739	-	125,325	82,584	(5,712)
Employer 8	14,316,562	159,073	763,550	556,756	286,486	141,118	394,478	-	152,005	697,004	8,405
Employer 9	4,814,421	53,494	256,769	187,228	68,325	47,456	132,657	-	87,325	234,391	(1,188)
Employer 10	4,808,301	53,426	256,443	186,990	67,528	47,395	132,488	-	41,035	234,093	1,656
Total	\$ 99,263,485	1,102,928	5,294,055	3,860,249	1,939,406	978,435	2,735,105	-	1,939,406	4,832,655	-

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Cost-Sharing Plan - Employer Auditor Considerations

- Evaluate plan auditor’s report on supplemental schedules (AU-C 805)
 - If plan auditor doesn’t report on, evaluate necessary audit procedures
- Test amounts in schedules relating to employer
- Test census data
- Additional procedures as considered necessary
- Objective - sufficient appropriate audit evidence

Allocation Methodology May Also Be For Single / Agent Employers

- Further allocation in multiple levels necessary to
 - Proprietary Funds
 - Component Units
 - Presumes entities contribute through primary government to a plan
 - Required for full accrual financial statements and full cost of services

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ISSUES & AICPA RECOMMENDATIONS RELATED TO SINGLE / AGENT MULTIPLE- EMPLOYER PLANS

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Single / Agent Plan Issues

- Audited plan financial statements don't give participating employers everything they need
- Allocation of fiduciary net position by employer is unaudited
- AICPA whitepapers in progress - will be posted at

<http://www.aicpa.org/INTERESTAREAS/GOVERNMENT/AUDITQUALITY/RESOURCES/GASBMATTERS/Pages/default.aspx>

Single / Agent Plan Issues - Potential Solutions

- Plan provides supplemental “combining schedule of changes in fiduciary position by employer” for which plan auditor is engaged to provide opinion
- Plan auditor engaged to issue SOC 1 (type 2) report on allocation of inflows, *i.e.*, contributions, investment income, etc., and outflows, *i.e.*, benefit payments, administrative expenses, etc., of plan to individual employer accounts
 - Alternative - plan auditor issue opinion on each column of schedule or issue opinions on employer elements that cannot be tested by employer auditor

Single/Agent Plan Issues - Potential Solutions

- Plan actuary issues separate actuarial report for each participating employer which includes all relevant information
 - Employer management and employer auditor rely on actuary as management specialist for total pension liability for individual employer
- Plan auditor engaged to issue SOC 1 (type 2) report on census data controlled by plan, *i.e.*, retired employees
 - User controls at the plan level - plan controls most of the information needed by the actuary (inactives/retirees)
 - User controls at the employer level - employer controls the active employee information
 - (Solution is complex and is still in development - watch for AICPA whitepaper)

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Single / Agent Plan Issues - Potential Solutions

- Employer auditor tests census data of active employees and confirms actuarial information used by actuary
- Employer and employer auditor responsible for validating deferred outflows/inflows and pension expense related to individual employer
 - Deferred outflows/inflows resulting from current year can be recalculated from condensed statement of changes in fiduciary position (by employer) included as supplemental information in plan financial statements
 - Rely on actuarial report for deferred outflows/inflows related to actuarial experience

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Single / Agent Multiple-Employer Plans - Other Issues

- Different actuarial assumptions for each participating employer
- Involvement of employer in establishing actuarial assumptions
- Ability of auditors of employers to evaluate appropriateness of actuarial assumptions
- Communication of auditors with plan actuary
- Ability of plan actuary to provide actuarial report directly to each employer

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SAS-128 – *Using Work of Internal Auditors*

- Key Changes
 - Harmonization with ISA-610 (International)
 - Effective for periods ending on or after 12/15/14
 - Clarification of the risk assessment process
 - More ability to inquire of internal auditors
 - Stresses the importance of 2 way communication between internal and external auditors and 2 way communication between auditors and those charged with governance
 - Inquiries may include
 - information about operational and regulatory risks that may affect financial reporting.
 - information about system changes, system or control failures, or other information system-related risks.
 - The term “engagement team” now includes internal audit function, if independent

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Questions?



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Governmental Accounting & Auditing Update

June 3, 2014

Attendees by Last Name (325)

Jennifer Acton-UNC at Chapel Hill
Robbie Alford-Office of State Controller
Shelly Alman-Gaston College
Stephanie Alsay-Department of Justice
Gregory Alvord-Dept. of Health & Human Services
Ann Anderson-Office of State Controller
Taylor Anderson-Office of State Auditor
Lewis Andrews-Department of State Treasurer
Kristina Autio-Office of State Auditor
Khalid Awan-Department of Public Safety
Debra Bailey-East Carolina University
Jennifer Baird-Department of Agriculture
Rita Baker-Department of State Treasurer
Barbara Baldwin-Office of State Budget and Management
Jasheen Ballance-Elizabeth City State University
John Barfield-Office of the State Controller
Kim Battle-Department of State Treasurer
DeAhn Baucom-UNC at Chapel Hill
Lyndsey Beasley-NC State University
Katina Bell-Office of State Auditor
Joseph Belnak-NC Education Lottery
Irwin Benjamin-Department of State Treasurer
Jeannie Betts-Department of Environment and Natural Resources
Jennifer Blair-UNC at Chapel Hill
David Blakemore-UNC at Chapel Hill
Judy Blount-Department of Public Instruction
Joyce Boni-Office of State Auditor
Dee Bowling-East Carolina University
Dana Boyer-Western Carolina University
Vicki Braddy-Department of Public Safety
Jennifer Brady-NC State University
Bryan Brannon-Administrative Office of the Courts
Robert Brinson-Department of Public Safety
Madelene Brooks-Cape Fear Community College
Leon Browning-UNC General Administration
Helen Buck-NC A and T State University
Joey Bullock-Office of Information Technology Services
Michael Burch-Office of State Auditor
Katherine Burckley-NC A and T State University
Jean Burke-Department of Public Safety
Timothy Byrd-UNC Hospitals
Melinda Canady-Department of State Treasurer
Edith Cannady-Office of State Controller
Cynthia Carter-NC Central University
Wynona Cash-Office of State Controller
Angela Chafalovitch-Department of State Treasurer
Emily Coble-UNC at Chapel Hill
Bruce Cole-Gaston College
Kathy Cooper-Department of Transportation
Kimberly Crews-UNC Hospitals
Donald Crooke-Office of State Budget and Management
Dewanda Dalrymple-NC Central University
Joy Darden-Office of State Controller
Lana Davidson-UNC Hospitals
Amanda Davis-UNC Hospitals
Angela Davis-UNC at Chapel Hill
Diane Davis-NC A and T State University
Garrett Davis-Office of State Auditor
Joshua Davis-Department of Cultural Resources
Steven Davis-Department of Public Safety
Robin Deaver-Fayetteville Technical Community College
Yolanda Deaver-NC Central University
Joseph DeBragga-Department of Environment and Natural Resources
John Del Greco-Department of Public Safety
George Dennis-Administrative Office of the Courts
Lorna DeWalle-UNC at Chapel Hill
Sara Domby-Office of State Auditor
Sarah Dozier-Department of Cultural Resources
Debbie Dryer-Office of State Controller
Dana Dupree-UNC School of the Arts
Kenneth Durham-Department of State Treasurer
Mike Durkin-Department of Transportation
Beth Edmondson-Golden Leaf Foundation
Mike Edwards-NC State University
Bivian Ejimakor-NC A and T State University
Elizabeth Elder-Department of Public Safety
Jolene Elkins-Western Carolina University
Laresia Everett-Department of Insurance
Bonaventure Ezewuzie-Department of State Treasurer
Roger Farmer-Office of the State Controller
Sheilah Faucette-Elizabeth City State University
Joanne Ferguson-UNC at Wilmington
Stephanie Fisher-Nash Community College
Cliff Flood-UNC General Administration
Joan Fontes-Department of State Treasurer
Pam Fowler-Office of State Controller
Susan Freeman-NC Housing Finance Agency
Samuel Fuller-Department of Public Instruction
Teresa Gault-UNC at Chapel Hill
Tami George-Robeson Community College
Tony Georges-UNC at Charlotte
Peggy Gill-Department of Transportation
Cindy Gilliam-Office of State Auditor
Allison Godwin-Office of State Budget and Management
Anne Godwin-Office of State Controller
Bonnie Godwin-Department of Agriculture
Sarah Gould-Office of State Auditor
Christina Greene-Cape Fear Community College
Angela Griffin-Office of State Budget and Management
Larna Griffin-State Education Assistance Authority
Angela Gunn-Office of State Auditor
Michelle Hall-Fayetteville Technical Community College
Jennifer Hamm-Catawba Valley Community College
Keith Hammonds-Department of Public Safety
Brenda Hampshire-UNC at Greensboro
Timothy Harrell-Department of Public Safety
Keith Harris-UNC at Chapel Hill
Vinetta Harris-UNC at Chapel Hill
Jeff Henderson-UNC General Administration
Regina Hill-Office of State Budget and Management
Sue Hill-Department of Public Safety
Shannon Hobby-Department of Commerce
Simuel Hodges-NC Housing Finance Agency
Milburn Holbrook-NC State University
Linda Hollar-Office of State Auditor
Steven Holmberg-Department of State Treasurer
Susan Holton-NC State University
Donald Hoover-Department of Commerce
Heather Horton-Department of Environment and Natural Resources
LaToya Horton-UNC at Chapel Hill
William Hosterman-UNC Hospitals
John House-Centennial Authority
Troy Howell-UNC at Chapel Hill
Kris Hudson-Department of Public Safety
Monica Hughes-Department of Health and Human Services
Scott Hummel-NC A and T State University
Cheryl Hunt-Office of State Auditor
Martha Hunt-Office of State Controller
Mary Hutchings-Office of State Auditor
Heather Iannucci-UNC at Wilmington
Suzanne Imboden-East Carolina University
Ibreta Jackson-Robeson Community College
Michael Jackson-NC A and T State University
Shivani Jani-Office of State Auditor
Lars Jarkko-UNC General Administration
Bryan Jenkins-NC Community College System
Bud Jennings-Administrative Office of the Courts
Elizabeth John-Department of Justice
Cathy Johnson-Office of State Controller
Kimberly Johnson-UNC at Chapel Hill
Lori Johnson-NCSU
Monique Johnson-Department of Commerce
Angela Johnston-Office of State Controller
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Joanne Jones-UNC at Greensboro
Wayne Jones-UNC at Greensboro
Saeah Joyce-NC State University
Sue Kearney-Department of Agriculture
James Kelly-UNC at Chapel Hill
Gloria King-Department of Health and Human Services
Stephanie King-Department of Transportation
Bliss Kite-Department of Commerce
Laura Klem-Office of State Controller
Gina Knight-Elizabeth City State University
Jim Knight-NC Education Lottery
Mark Kozel-UNC at Chapel Hill
Stan Koziol-UNC at Chapel Hill
Roxanne Krotoszynski-Department of Health and Human Services
Stuart Kurtz-NC Housing Finance Agency
Karin Langbehn-Pecaut-UNC at Chapel Hill
Darlene Langston-Department of Public Safety
Denise Langston-Office of State Auditor
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Joshua Lassiter-Elizabeth City State University
Kizzy Lea-Rowan-Cabarrus Community College
Judy LeDoux-UNC at Chapel Hill
Siew Lee-Department of Public Safety
Susan Lee-Office of State Auditor
Tracey Lemming-UNC at Chapel Hill
Gayle Lemons-Office of Administrative Hearings
Lauren Lemons-Office of State Controller
John Leskovec-Office of State Budget and Management
Lee Linker-Office of State Auditor
Ashley Little-Office of State Auditor
Peizhu Liu-UNC Hospitals

Cathy Lively-Office of Information Technology Services
Matthew Longobardi-Department of Justice
Frank Lord-Winston-Salem State University
Chris Lovitt-Office of State Auditor
Becky Luce-Clark-Department of Justice
Tonya Luck-Randolph Community College
Tami Luckwaldt-Department of Insurance
Kathleen Lukens-UNC at Greensboro
Harriet Lunsford-Office of State Auditor
Ron Maggio-Office of State Auditor
Jessica Mapes-Office of State Auditor
Lisa McClinton-UNC School of the Arts
Rachel McDonald-Office of State Auditor
Biff Mcgilvray-Department of State Treasurer
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Dwayne McKinley-Office of State Auditor
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Ralph McLester-UNC General Administration
Jessica McMahan-Lenoir Community College
Kerri McNeill-UNC at Chapel Hill
John Meese-NC Housing Finance Agency
Billy Melton-High Point Regional Hospital
Eric Meymandi-Department of Public Safety
Erwin Mialkowski-NC Education Lottery
Courtney Michelle-Office of State Budget and Management
John Miller-UNC Hospitals
Laketha Miller-Department of Health and Human Services
Sonya Miller-Elizabeth City State University
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Cynthia Modlin-East Carolina University
Kelly Mogle-UNC Hospitals
LaTasha Moore-James Sprunt Community College
Roberta Morgart-Department of Public Safety
Tim Morris-East Carolina University
Mary Morton-Department of Transportation
Dannie Moss-East Carolina University
Clayton Murphy-Office of State Controller
Lettie Navarrete-Robeson Community College
Debra A. Neal-Department of Administration
James Newman-Department of Secretary of the State
Terri Noblin-Office of State Controller
Liza Nordstrom-NC Community College System
Gwen Norwood-UNC at Chapel Hill
Tony Norwood-Department of Administration
Barbara Odom-NCSU
Lori Oldham-Department of Cultural Resources
Ray Oxendine-UNC at Pembroke
Jennifer Pacheco-Office of State Controller
Kim Padfield-Department of Transportation
Ralph Parker-NC Education Lottery
Bridget Paschal-N. C. Utilities Commission
Tracy Patty-NC State University
Martha Pendergrass-UNC at Chapel Hill
Jamie Pennell-Office of State Auditor
Amy Penson-Isothermal Community College
Malinda Peters-Department of State Treasurer
Johnny Peterson-Department of Administration

Rick Pieringer-Office of State Controller
Gregg Plemmons-Western Carolina University
Lynn Powell-Department of Transportation
Dennis Press-UNC at Chapel Hill
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Phillip Price-Central Carolina Community College
Dawn Quist-East Carolina University
Karen Rackley-NC State University
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Virginia Sisson-Office of State Controller
Patricia Sloop-Department of Public Safety
Betty Smith-Fayetteville Technical Community College
Jonathan Smith-Winston-Salem State University
Rodney Smith-UNC at Chapel Hill
Ron Smith-UNC at Greensboro
Alison Soles-Southeastern Community College
Kenneth Spayd-UNC at Pembroke
Janet Spriggs-Rowan-Cabarrus Community College
Karen Staab-Department of Public Safety
Lynn Stallings-NC State University
Patricia "Pat" Stanley-UNC at Chapel Hill
Faye Steele-East Carolina University
Kathleen Stefanick-NC State University
David Steinbicker-Western Carolina University
Karen Stevenson-UNC at Greensboro
Justin Stiles-UNC at Chapel Hill
John Storment-UNC Hospitals
Hannah Sullivan-Office of State Auditor
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Marsha Tapler-Office of Information Technology Services
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Lisa Taylor-UNC at Chapel Hill
Wesley Taylor-General Assembly
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Nancy Thomas-Office of State Controller
Randy Thomas-Office of State Controller

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Helen Vozzo-Office of State Controller
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Yiwen Wang-UNC at Chapel Hill
Gary Ward-NC Central University
Tammy Ward-Department of State Treasurer
Joey Ware-Furlow-UNC at Chapel Hill
Lily West-Department of Public Safety
Rex Whaley-Department of Environment and Natural Resources
Janelle White-Department of Public Safety
Cassandra Wilson-Department of State Treasurer
Steve Woodruff-Rockingham Community College
Rita Wortham-Office of State Auditor
Cheryl Yanik-NC State University
Amber Young-Office of State Controller
Yelena Zaytseva-Office of State Auditor
Fenge Zhang-Department of Commerce

Governmental Accounting & Auditing Update

June 3, 2014

Attendees by Agency (325)

Bryan Brannon-Administrative Office of the Courts
George Dennis-Administrative Office of the Courts
Bud Jennings-Administrative Office of the Courts
Madelene Brooks-Cape Fear Community College
Christina Greene-Cape Fear Community College
Jennifer Hamm-Catawba Valley Community College
John House-Centennial Authority
Phillip Price-Central Carolina Community College
Debra A. Neal-Department of Administration
Tony Norwood-Department of Administration
Johnny Peterson-Department of Administration
Barbara P. Roper-Department of Administration
Jennifer Baird-Department of Agriculture
Bonnie Godwin-Department of Agriculture
Sue Kearney-Department of Agriculture
Shannon Hobby-Department of Commerce
Donald Hoover-Department of Commerce
Monique Johnson-Department of Commerce
Bliss Kite-Department of Commerce
William Schmidt-Department of Commerce
Fenge Zhang-Department of Commerce
Joshua Davis-Department of Cultural Resources
Sarah Dozier-Department of Cultural Resources
Lori Oldham-Department of Cultural Resources
Jeannie Betts-Department of Environment and Natural Resources
Joseph DeBragga-Department of Environment and Natural Resources
Heather Horton-Department of Environment and Natural Resources
Rex Whaley-Department of Environment and Natural Resources
Monica Hughes-Department of Health and Human Services
Gloria King-Department of Health and Human Services
Roxanne Krotoszynski-Department of Health and Human Services
Laketha Miller-Department of Health and Human Services
Lisa Minchew-Department of Health and Human Services
Javier Rivera-Department of Health and Human Services
Troy Scoggins-Department of Health and Human Services
Laresia Everett-Department of Insurance
Tami Luckwaldt-Department of Insurance
Stephanie Alsay-Department of Justice
Elizabeth John-Department of Justice
Matthew Longobardi-Department of Justice
Becky Luce-Clark-Department of Justice
Janet Rust-Department of Labor
Crystal Talmadge-Department of Labor
Judy Blount-Department of Public Instruction
Samuel Fuller-Department of Public Instruction
Khalid Awan-Department of Public Safety
Vicki Braddy-Department of Public Safety
Robert Brinson-Department of Public Safety
Jean Burke-Department of Public Safety
Steven Davis-Department of Public Safety
John Del Greco-Department of Public Safety
Elizabeth Elder-Department of Public Safety
Keith Hammonds-Department of Public Safety

Timothy Harrell-Department of Public Safety
Sue Hill-Department of Public Safety
Kris Hudson-Department of Public Safety
Darlene Langston-Department of Public Safety
Siew Lee-Department of Public Safety
Eric Meymandi-Department of Public Safety
Andrea Millington-Department of Public Safety
Roberta Morgart-Department of Public Safety
George Randlett-Department of Public Safety
Doreen Rettie-Department of Public Safety
Joanie Saucier-Department of Public Safety
Patricia Sloop-Department of Public Safety
Karen Staab-Department of Public Safety
Lily West-Department of Public Safety
Janelle White-Department of Public Safety
James Newman-Department of Secretary of the State
Lewis Andrews-Department of State Treasurer
Rita Baker-Department of State Treasurer
Kim Battle-Department of State Treasurer
Irwin Benjamin-Department of State Treasurer
Melinda Canady-Department of State Treasurer
Angela Chafalovitch-Department of State Treasurer
Kenneth Durham-Department of State Treasurer
Bonaventure Ezewuzie-Department of State Treasurer
Joan Fontes-Department of State Treasurer
Steven Holmberg-Department of State Treasurer
Biff Mcgilvray-Department of State Treasurer
Malinda Peters-Department of State Treasurer
Tammy Ward-Department of State Treasurer
Cassandra Wilson-Department of State Treasurer
Kathy Cooper-Department of Transportation
Mike Durkin-Department of Transportation
Peggy Gill-Department of Transportation
Stephanie King-Department of Transportation
Mary Morton-Department of Transportation
Kim Padfield-Department of Transportation
Lynn Powell-Department of Transportation
Wayne Rogers-Department of Transportation
David Tyeryar-Department of Transportation
Gregory Alvord-Dept. of Health & Human Services
Debra Bailey-East Carolina University
Dee Bowling-East Carolina University
Suzanne Imboden-East Carolina University
Cynthia Modlin-East Carolina University
Tim Morris-East Carolina University
Dannie Moss-East Carolina University
David Price-East Carolina University
Dawn Quist-East Carolina University
Faye Steele-East Carolina University
Jasheen Ballance-Elizabeth City State University
Sheilah Faucette-Elizabeth City State University
Gina Knight-Elizabeth City State University
Joshua Lassiter-Elizabeth City State University
Sonya Miller-Elizabeth City State University
Michelle Swistak-Fayetteville State University
Robin Deaver-Fayetteville Technical Community College
Michelle Hall-Fayetteville Technical Community College
Betty Smith-Fayetteville Technical Community College
Debbie Todd-Fayetteville Technical Community College
Shelly Alman-Gaston College
Bruce Cole-Gaston College

Wesley Taylor-General Assembly
Beth Edmondson-Golden Leaf Foundation
Billy Melton-High Point Regional Hospital
Amy Penson-Isothermal Community College
LaTasha Moore-James Sprunt Community College
Jessica McMahon-Lenoir Community College
Bridget Paschal-N. C. Utilities Commission
Stephanie Fisher-Nash Community College
Helen Buck-NC A and T State University
Katherine Burckley-NC A and T State University
Diane Davis-NC A and T State University
Bivian Ejimakor-NC A and T State University
Scott Hummel-NC A and T State University
Michael Jackson-NC A and T State University
Mary Mims-NC A and T State University
Alvenia Uitenham-NC A and T State University
Cynthia Carter-NC Central University
Dewanda Dalrymple-NC Central University
Yolanda Deaver-NC Central University
Gary Ward-NC Central University
Bryan Jenkins-NC Community College System
Cindy Mixer-NC Community College System
Liza Nordstrom-NC Community College System
Joseph Belnak-NC Education Lottery
Jim Knight-NC Education Lottery
Erwin Mialkowski-NC Education Lottery
Ralph Parker-NC Education Lottery
Susan Freeman-NC Housing Finance Agency
Simuel Hodges-NC Housing Finance Agency
Stuart Kurtz-NC Housing Finance Agency
John Meese-NC Housing Finance Agency
Lyndsey Beasley-NC Housing Finance Agency
Jennifer Brady-NC State University
Mike Edwards-NC State University
Milburn Holbrook-NC State University
Susan Holton-NC State University
Saeah Joyce-NC State University
Tracy Patty-NC State University
Karen Rackley-NC State University
Julie Schwindt-NC State University
Lynn Stallings-NC State University
Kathleen Stefanick-NC State University
Cheryl Yanik-NC State University
Lori Johnson-NCSU
Barbara Odom-NCSU
Gayle Lemons-Office of Administrative Hearings
Joey Bullock-Office of Information Technology Services
Betty Larose-Office of Information Technology Services
Cathy Lively-Office of Information Technology Services
Marsha Tapler-Office of Information Technology Services
Kimberly Van Metre-Office of Information Technology Services
Taylor Anderson-Office of State Auditor
Kristina Autio-Office of State Auditor
Katina Bell-Office of State Auditor
Joyce Boni-Office of State Auditor
Michael Burch-Office of State Auditor
Garrett Davis-Office of State Auditor
Sara Domy-Office of State Auditor
Cindy Gilliam-Office of State Auditor
Sarah Gould-Office of State Auditor
Angela Gunn-Office of State Auditor

Linda Hollar-Office of State Auditor
Cheryl Hunt-Office of State Auditor
Mary Hutchings-Office of State Auditor
Shivani Jani-Office of State Auditor
Denise Langston-Office of State Auditor
Susan Lee-Office of State Auditor
Lee Linker-Office of State Auditor
Ashley Little-Office of State Auditor
Chris Lovitt-Office of State Auditor
Harriet Lunsford-Office of State Auditor
Ron Maggio-Office of State Auditor
Jessica Mapes-Office of State Auditor
Rachel McDonald-Office of State Auditor
Dwayne McKinley-Office of State Auditor
Jamie Pennell-Office of State Auditor
Wesley Ray-Office of State Auditor
Zach Rogers-Office of State Auditor
Hannah Sullivan-Office of State Auditor
Jennifer Turcotte-Office of State Auditor
Vernon Utley-Office of State Auditor
Pam Wade-Office of State Auditor
Rita Wortham-Office of State Auditor
Yelena Zaytseva-Office of State Auditor
Barbara Baldwin-Office of State Budget and Management
Donald Crooke-Office of State Budget and Management
Allison Godwin-Office of State Budget and Management
Angela Griffin-Office of State Budget and Management
Regina Hill-Office of State Budget and Management
John Leskovec-Office of State Budget and Management
Courtney Michelle-Office of State Budget and Management
Elizabeth Kay Radford-Office of State Budget and Management
Michele Sykes-Office of State Budget and Management
Robbie Alford-Office of State Controller
Ann Anderson-Office of State Controller
Edith Cannady-Office of State Controller
Wynona Cash-Office of State Controller
Joy Darden-Office of State Controller
Debbie Dryer-Office of State Controller
Pam Fowler-Office of State Controller
Anne Godwin-Office of State Controller
Martha Hunt-Office of State Controller
Cathy Johnson-Office of State Controller
Angela Johnston-Office of State Controller
Laura Klem-Office of State Controller
Lauren Lemons-Office of State Controller
Ben McLawhorn-Office of State Controller
Clayton Murphy-Office of State Controller
Terri Noblin-Office of State Controller
Jennifer Pacheco-Office of State Controller
Rick Pieringer-Office of State Controller
Teresa Shingleton-Office of State Controller
Virginia Sisson-Office of State Controller
Nancy Thomas-Office of State Controller
Randy Thomas-Office of State Controller
Shirley Trollinger-Office of State Controller
Prabhavathi Vijayaraghavan-Office of State Controller
Helen Vozzo-Office of State Controller
Amber Young-Office of State Controller
John Barfield-Office of the State Controller
Roger Farmer-Office of the State Controller
Tonya Luck-Randolph Community College

Brock Simonds-Rex Healthcare
Tami George-Robeson Community College
Ibreta Jackson-Robeson Community College
Lettie Navarrete-Robeson Community College
Vanessa Singletary-Robeson Community College
Steve Woodruff-Rockingham Community College
Kizzy Lea-Rowan-Cabarrus Community College
Janet Spriggs-Rowan-Cabarrus Community College
Elizabeth Thomas-Sandhills Community College
Betty Jo Ramsey-Southeastern Community College
Alison Soles-Southeastern Community College
Larna Griffin-State Education Assistance Authority
Jennifer Acton-UNC at Chapel Hill
DeAhn Baucom-UNC at Chapel Hill
Jennifer Blair-UNC at Chapel Hill
David Blakemore-UNC at Chapel Hill
Emily Coble-UNC at Chapel Hill
Angela Davis-UNC at Chapel Hill
Lorna DeWalle-UNC at Chapel Hill
Teresa Gault-UNC at Chapel Hill
Keith Harris-UNC at Chapel Hill
Vinetta Harris-UNC at Chapel Hill
LaToya Horton-UNC at Chapel Hill
Troy Howell-UNC at Chapel Hill
Kimberly Johnson-UNC at Chapel Hill
Barbara Jones-UNC at Chapel Hill
James Kelly-UNC at Chapel Hill
Mark Kozel-UNC at Chapel Hill
Stan Koziol-UNC at Chapel Hill
Karin Langbehn-Pecaut-UNC at Chapel Hill
Judy LeDoux-UNC at Chapel Hill
Tracey Lemming-UNC at Chapel Hill
Tammy McHale-UNC at Chapel Hill
Kerri McNeill-UNC at Chapel Hill
Gwen Norwood-UNC at Chapel Hill
Martha Pendergrass-UNC at Chapel Hill
Dennis Press-UNC at Chapel Hill
Janet Rupert-UNC at Chapel Hill
Richard Silc-UNC at Chapel Hill
Rodney Smith-UNC at Chapel Hill
Patricia "Pat" Stanley-UNC at Chapel Hill
Justin Stiles-UNC at Chapel Hill
Lisa Taylor-UNC at Chapel Hill
Megan Wallace-UNC at Chapel Hill
Yiwen Wang-UNC at Chapel Hill
Joey Ware-Furlow-UNC at Chapel Hill
Tony Georges-UNC at Charlotte
Ron Sanders-UNC at Charlotte
Kim Seamans-UNC at Charlotte
Brenda Hampshire-UNC at Greensboro
Joanne Jones-UNC at Greensboro
Wayne Jones-UNC at Greensboro
Kathleen Lukens-UNC at Greensboro
Ron Smith-UNC at Greensboro
Karen Stevenson-UNC at Greensboro
Ray Oxendine-UNC at Pembroke
Francine Rizzo-UNC at Pembroke
Kenneth Spayd-UNC at Pembroke
Joanne Ferguson-UNC at Wilmington
Heather Iannucci-UNC at Wilmington
Sara Thorndike-UNC at Wilmington

Leon Browning-UNC General Administration
Cliff Flood-UNC General Administration
Jeff Henderson-UNC General Administration
Lars Jarkko-UNC General Administration
Ralph McLester-UNC General Administration
Michael Vollmer-UNC General Administration
Timothy Byrd-UNC Hospitals
Kimberly Crews-UNC Hospitals
Lana Davidson-UNC Hospitals
Amanda Davis-UNC Hospitals
William Hosterman-UNC Hospitals
Peizhu Liu-UNC Hospitals
John Miller-UNC Hospitals
Firoza Mistry-UNC Hospitals
Kelly Mogle-UNC Hospitals
Pasupula Ravindranath-UNC Hospitals
John Storment-UNC Hospitals
Dana Dupree-UNC School of the Arts
Lisa McClinton-UNC School of the Arts
Elizabeth Rollinson-USS North Carolina Battleship Commission
Marla Tart-Wake Technical Community College
Dana Boyer-Western Carolina University
Jolene Elkins-Western Carolina University
Greg Plemmons-Western Carolina University
David Steinbicker-Western Carolina University
Frank Lord-Winston-Salem State University
Jonathan Smith-Winston-Salem State University
J. Nathan Thompson-Winston-Salem State University