

OHIO AUDITOR OF STATE KEITH FABER



**Auditor of State
Bulletin 2022-008**

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TO: Counties
Municipalities
Townships
Independent Public Accountants

FROM: Keith Faber
Ohio Auditor of State

SUBJECT: Assistance Listing #21.027 Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) Compliance Examination Alternative to Single Audit

Bulletin Purpose

This bulletin is to inform both auditors and prime recipients, including Non-Entitlement Units (NEUs)¹ of local government, of the U.S. Department of the Treasury’s (Treasury) Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) about an alternative to receiving a Single Audit pursuant to 2 CFR Part 200, Subpart F, for eligible local governments. The Alternative Compliance Examination (ACE) engagement is permitted by the Office of Management and Budget (“OMB”) as described in Part 8, Appendix VII – Other Audit Advisories of the 2021 OMB Compliance Supplement Technical Update, dated April 8, 2022, and the 2022 OMB Compliance Supplement. CSLFRF recipients that expend \$750,000 or more in federal awards during the recipient’s fiscal year, and who meet both criteria listed in the *Eligibility Requirements* below have the option to request the ACE engagement be performed in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements (i.e., AT-C section 315, *Compliance Attestation*) and Government Accountability Office (GAO) *Generally Accepted Government Auditing Standards* (GAGAS) in lieu of a Single Audit or a Program-Specific Audit under 2 CFR Part 200, Subpart F.

¹ Non-entitlement units of local government (NEUs), defined in section 603(g)(5) of the Social Security Act, as added by section 9901 of the American Rescue Plan Act of 2021, are local governments typically serving populations of less than 50,000.

Implementation Date

As further described in the 2021 OMB Compliance Supplement Addendum and 2022 OMB Compliance Supplement, the ACE engagement is allowable for eligible direct recipients of CSLFRF, including NEUs. Local governments that received CSLFRF *only* as a subrecipient of a prime recipient are not eligible to take advantage of the ACE engagement (e.g., school district subrecipients).

Background

Many CSLFRF recipients include smaller local governments that have not previously (or recently) been required to undergo a Single Audit. Treasury and OMB formed a collaborative discussion group together with the AICPA and National Association of State Auditors, Comptrollers, and Treasurers (NASACT) to identify ways to reduce the audit burden on smaller local governments, as well as address concerns about the capacity of qualified auditors available to perform the audits. As a result, Treasury and OMB are offering an alternative to a full Single Audit under the Uniform Guidance for certain recipients that would be less burdensome, but still uphold Treasury's responsibility to be good stewards of federal funds. The engagement will focus on two narrowly scoped compliance requirements related to Activities Allowed and Unallowed and Allowable Cost/Cost Principles.

As outlined in the OMB Technical Update, Treasury developed this alternative approach for CSLFRF recipients that would otherwise not be required to undergo a Single Audit pursuant to 2 CFR Part 200, Subpart F, if it was not for the expenditure of CSLFRF funds directly awarded by Treasury. Although funding for NEUs passed through the State of Ohio, NEUs are still considered direct recipients of CSLFRF for purposes of the ACE engagement.

A direct CSLFRF recipient may still elect to undergo a Single Audit under 2 CFR Part 200, Subpart F.

Bulletin Detail

Eligibility Requirements for an ACE Engagement

Recipient eligibility to use this alternative approach is as follows:

CSLFRF recipients that expend \$750,000 or more in Federal awards during the recipient's fiscal year end and which meet both criteria listed below have the option to implement the ACE engagement:

1. The recipient's total CSLFRF award received directly from Treasury or received (through states) as a non-entitlement unit of local government is at or below \$10 million; and
2. Total other Federal financial assistance (from all sources) the recipient expended (not including their CSLFRF award funds) are less than \$750,000 during the recipient's fiscal year.

To aid you in determining if your entity is eligible for an ACE engagement, AOS has developed a checklist (the AL “#21.027 Alternative Compliance Examination Checklist”) for evaluating and documenting entity eligibility which is available on our website at [Single Audit Practice Aids & Audit Report Shells \(ohioauditor.gov\)](https://www.ohioauditor.gov).

Overview

These compliance examination engagements must be performed in accordance with GAGAS and the AICPA’s Statements on Standards for Attestation Engagements: AT-C 105, *Concepts Common to All Attestation Engagements*; AT-C 205, *Examination Engagements*; and AT-C section 315, *Compliance Attestation*.

This alternative approach is intended to reduce the burden of a full Single Audit on eligible recipients and auditors, as well as uphold Treasury’s responsibility to be good stewards of federal funds. This balance is achieved in several ways as follows:

- A full financial statement audit is not required at the time of the ACE engagement for eligible recipients. However, the regular financial audit will still be performed on its usual audit schedule.
- A compliance examination engagement simplifies the engagement for both recipients and auditors.
- A formal Schedule of Expenditures of Federal Awards is not required as the auditor opines directly on compliance for a single program (i.e., CSLFRF).
- The requirements for internal controls in 2 CFR 200.514(c) are not relevant to the engagement, although AT-C 315, paragraph .15, still requires the auditor to obtain an understanding of relevant portions of internal control over compliance sufficient to plan the engagement and to assess control risk for compliance with specified requirements.
- The engagement still involves testing of the compliance requirements described in the Appendix and results in a related examination opinion which is similar to the compliance opinion provided in a Single Audit under 2 CFR Part 200, Subpart F.
- The engagement reporting is simplified as compared to the Single Audit report required by 2 CFR Part 200, Subpart F. One compliance examination opinion is issued (versus up to three report letters for a Single Audit) and findings are reported in a similar manner to how they are reported for Single Audits under 2 CFR Part 200, Subpart F.

Please note the ACE engagements for fiscal years ended June 30, 2021 through December 31, 2021 must be filed with the Federal Audit Clearinghouse by September 30, 2022. Recipients should be aware, however, that the Federal Audit Clearinghouse may be transitioning from the U.S Census Bureau to the U.S. General Services Administration (GSA) for audit submissions beginning October 1, 2023. We anticipate the GSA will issue further instructions for recipients and their auditors as the 2023 implementation dates nears. AOS will issue a bulletin describing the new submission process once this information becomes available.

Preconditions for the ACE Engagement

Consistent with, and in addition to the preconditions for an attestation engagement outlined in the AICPA's attestation standards, the auditor should determine that:

- a. management can provide evidence to the auditor that it meets the recipient eligibility criteria for the ACE engagement (this includes verifying the completeness of federal awards expended during the fiscal year);
- b. management accepts responsibility for the entity's compliance with the compliance requirements and the entity's internal control over compliance; and
- c. management evaluates the entity's compliance with the compliance requirements.

Compliance Requirements, Objectives and Suggested Audit Procedures

Detailed requirements, objectives and suggested examination procedures for completing the ACE engagement are included in the 2021 OMB Compliance Supplement Technical Update and the 2022 OMB Compliance Supplement for the Assistance Listing #21.027 CSLFRF under Part "IV. Other Information."

- The full version of the Technical Update can be found at: <https://www.cfo.gov/2021-addendum-1and2-and-technical-update/>.
- The 2022 OMB Compliance Supplement can be found at: https://www.whitehouse.gov/wp-content/uploads/2022/05/2022-Compliance-Supplement_PDF_Rev_05.11.22.pdf

For reference, we have included OMB's suggested examination procedures in the attached Appendix.

U.S. Treasury CSLFRF program specific guidance can be found on their website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments>. In addition, the Federal Audit Clearinghouse submission instructions are in development and will be posted on the website when they are finalized.

In addition to the checklist referenced above, our office developed ACE reporting examples based on the AICPA's Government Audit Quality Center (GAQC) illustrative reports. These files are located at [Single Audit Practice Aids & Audit Report Shells \(ohioauditor.gov\)](#).

CSLFRF recipients interested in the ACE engagement are encouraged to reach out to their auditors immediately to verify eligibility and allow auditors sufficient notice to incorporate the ACE engagement into their book of business, particularly since these engagements will often occur outside of the regularly scheduled audit cycle.

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Questions

If you have any questions regarding the information presented in the Bulletin, please contact the Center for Audit Excellence at AOSFederal@ohioauditor.gov.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Ohio Auditor of State

Appendix

APPENDIX

Assistance Listing #21.027 - CSLFRF - Alternative Compliance Examination Engagement Suggested Examination Procedures

A. Activities Allowed or Unallowed

- Obtain an understanding of the design of relevant portions of internal control over compliance regarding unallowable activities by performing some or all of the following:
 - a. Inquiries of appropriate management, supervisory, and staff personnel
 - b. Inspection of the entity's relevant documents
 - c. Observation of the entity's activities and operations
- Review a sample of CSLFRF expenditures to determine if recipients used CSLFRF funds for ineligible uses.

B. Allowable Cost/Cost Principles

- Obtain an understanding of the design of relevant portions of internal control over compliance and established practices and policies regarding the incurrence of costs by performing some or all of the following:
 - a. Inquiries of appropriate management, supervisory, and staff personnel
 - a. Inspection of the entity's relevant documents
 - b. Observation of the entity's activities and operations
- Test a sample of CSLFRF expenditures to determine that the recipient treated costs consistently with its established practices and policies.