**Federal Award Compliance and Control Record**

**Audit Guidance and Testing**

|  |  |
| --- | --- |
| **Name of Client:** |  |
| **Year Ended:** | 2023 |

|  |  |
| --- | --- |
| **Federal Award Name:** | Emergency Rental Assistance Program |
| **AL#:** | 21.023 |

# Important Information

**In addition to completing the control and suggested audit procedures, yellow-highlighted text indicates items that must be addressed or updated by auditors and should be deleted after the required information is added.**

*Blue italicized text indicates guidance from CFAE.*

This FACCR has been tailored for local governments and Not-For-Profits. It does not include all required references and testing for Institutes of Higher Learning or State organizations.

If the program had COVID funding expenditures, please refer to the terms and conditions of the grant to determine if any additional requirements were imposed. Also see guidance in [Appendix VII](OMB_Appendix_VII.pdf) of the Compliance Supplement.

If additional material requirements are identified, auditors will need to create procedures to test those requirements. If you have questions, AOS Auditors please open a Spiceworks ticket for assistance (IPAs email AOSFederal@ohioauditor.gov).

**Navigation Pane**

Click on the “View” tab on the top ribbon and check the box that says “Navigation Pane” to bring up the headings on the left side of the screen. Click on the various sections within the navigation pane to go directly to that section.

**Table of Contents**

On the table of contents page, users can also click on listed sections to go directly to that section. As information is added into the FACCR, page numbering will change and the Table of Contents may need to be updated to reflect revised numbering. To update the Table of Contents, click on the word “Contents” directly above the line starting with Important Information, which brings up the icon “Update Table.” Clicking OK in the box that appears will update the page numbers on the Table of Contents to reflect any changes in the document.

**Guidance Links**

Links to guidance referenced throughout this document are included below:

* [Part 6](OMB_Part_6.pdf) (Internal Control) of the OMB Compliance Supplement
* [2013 COSO](https://www.coso.org/Shared%20Documents/Framework-Executive-Summary.pdf)
* [GAO’s 2014 Green Book](https://www.gao.gov/assets/gao-14-704g.pdf)
* [2 CFR Part 200](2_CFR_Part_200.pdf) – Once opened, click on the appropriate section(s)

# Agency Adoption of the UG and Example Citations

[*Appendix II*](OMB_Appendix_II.pdf) *to the OMB Compliance Supplement provides the codified section reference of the agency adoption of the Uniform Guidance (UG) (2 CFR Part 200) and nonprocurement suspension and debarment requirements in 2 CFR Part 180, including the 2020 revisions.*

*While some Federal agencies gave regulatory effect to the Uniform Guidance as a whole, others made changes to the UG language within the agency codified sections by either adding specific requirements/exceptions or editing/modifying existing language. OMB does not maintain a complete listing of agency exceptions to the UG, but the most recent compilation of agency additions and exceptions (updated through December 2014) is provided on the* [*CFO website*](https://www.cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf)*. AOS auditors should review the UG Exception Evaluation by Federal Agency spreadsheet (updated through June 2022)* [*on the Intranet*](https://ohauditor.sharepoint.com/%3Af%3A/r/sites/Intranet/Shared%20Documents/Audit_Resources/Federal/Other%20Federal%20Resources?csf=1&web=1&e=RtVw5R) *(Documents > Audit Resources > Federal > Other Federal Resources).*

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements.*

*Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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# Compliance Requirement Matrix

*Footnotes 1-7 below the matrix provide further explanation; review note 6 which discusses tailoring the matrix assessments.*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **(1)** | **(2)** | **(6)** | **(6)** | **(3)** | **(4)** | **(5)** | **(5)** | **(6/7)** |
| **Compliance Requirement** | **Applicable per Compliance Supplement***(Yes/No)* | **Direct & Material to Program / Entity***(Yes/No)* | **Monetary****or Nonmonetary***(Set by CFAE)**(M/N)* | **Population Subject to Requirement (if Monetary)***(in $)* | **Inherent Risk****(from IRAF)***(High/Low)* | **Final Control Risk***(High/Low)* | **Detection****Risk of Noncompl.***(High/Low)* | **Overall Audit Risk of Noncompl.***(High/Low)* | **Federal Materiality by Compliance Requirement***(usually 5%)* |
| **A** |   | **Activities Allowed or Unallowed** | Yes |  | M |  |  |  |  |  | 5% |
| **B** |   | **Allowable Costs/Cost Principles** | Yes |  | M |  |  |  |  |  | 5% |
| **C** |   | **Cash Management** | No |  |  |  |  |  |  |  |  |
| **D** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **E**  |   | **Eligibility** | Yes |  | M/N |  |  |  |  |  | 5% |
| **F** |   | **Equipment & Real Property Mgmt** | No |  |  |  |  |  |  |  |  |
| **G** |   | **Matching, Level of Effort, Earmark** | No |  |  |  |  |  |  |  |  |
| **H** |   | **Period of Performance** | Yes |  | M |  |  |  |  |  | 5% |
| **I** |   | **Procurement & Sus. & Debarment** | No |  |  |  |  |  |  |  |  |
| **J** |   | **Program Income** | No |  |  |  |  |  |  |  |  |
| **K** |   | ***Reserved – Not Used*** |  |  |  |  |  |  |  |  |  |
| **L** |   | **Reporting** | Yes |  | N |  |  |  |  |  | 5% |
| **M** |   | **Subrecipient Monitoring** | Yes |  | N |  |  |  |  |  | 5% |
| **N** |   | **Special Tests & Provisions – ERA 1 Funds Redirection** | Yes |  | M/N |  |  |  |  |  | 5% |
| **N** |   | **Special Tests & Provisions – ERA Funds Reallocation**  | Yes |  | M/N |  |  |  |  |  | 5% |

**(1)** *From Part 2, Matrix of Compliance Requirements, for the applicable program in the* [*OMB Compliance Supplement*](https://www.whitehouse.gov/omb/office-federal-financial-management/)*. For programs not included in Part 2, all compliance requirements should be marked as applicable.*

**(2)** *If the Compliance Supplement notes a compliance requirement as being applicable to the program in the first column, it still may not apply at a particular entity either because that entity does not have activity subject to that type of compliance requirement, or the activity could not have a material effect on a major program. If the Compliance Supplement indicates that a type of compliance requirement is applicable and the auditor determines it also is direct and material to the program at the specific entity being audited, the auditor should answer this question “Yes,” and then complete the remainder of the line. Alternatively, if the auditor determines that a particular type of compliance requirement that normally would be applicable to a program (as per part 2 of the Compliance Supplement) is not direct and material to the program at the specific entity being audited, the auditor should answer this question “No.” Along with that response, the auditor should document the basis for the determination in the working papers or this FACCR. When making that determination all parts of that compliance requirement must be considered. For example, Equipment and Real Property Management contains procedures regarding Acquisitions, Dispositions (Disposals), and Inventory Management. The documentation on why the compliance requirement is not be applicable to the program/entity must address all parts of that compliance requirement.*

***(3)*** *Refer to the AICPA Single Audit Guide, chapter 10, Compliance Auditing Applicable to Major Programs, for considerations relating to assessing inherent risk of noncompliance for each direct and material type of compliance requirement. For AOS auditors, the auditor documents the inherent risk assessment for each direct and material compliance requirement on the Inherent Risk Assessment Form (IRAF). The assessments in this column should directly tie to the final inherent risk assessment on the IRAF.*

**(4)** *See guidance on the following page for considerations relating to assessing control risk of noncompliance for each direct and material type of compliance requirement.* ***Planned control risk must be assessed at low per 2 CFR § 200.514; therefore, only final control risk is shown in the matrix.*** *Additionally, auditors must document final control risk in each compliance requirement section’s Audit Implications Summary in this FACCR. See AICPA Single Audit Guide, Chapter 9, Consideration of Internal Control over Compliance for Major Programs.*

**(5)** *Audit risk of noncompliance is defined in AU-C 935 as the risk that the auditor expresses an inappropriate opinion on the entity’s compliance when material noncompliance exists. Audit risk of noncompliance is a function of the risks of material noncompliance and detection risk of noncompliance. A “Low” assessment of detection risk in this matrix means that the risk has been reduced to an acceptable level.*

***(6)*** *The AICPA Single Audit Guide 10.55 states the auditor’s tests of compliance with compliance requirements may disclose instances of noncompliance. The Uniform Guidance refers to these instances of noncompliance, among other matters, as “audit findings.” Such findings may be of a monetary nature and involve questioned costs or may be nonmonetary and not result in questioned costs. CFAE included the monetary vs. nonmonetary determinations for each compliance requirement in this program. If AOS auditor believe the determination of monetary vs. nonmonetary should be updated for a particular section, other than sections E and N, they must consult with CFAE via the FACCR specialty in Spiceworks. The Eligibility and Special Tests & Provisions determinations reflect M/N as the determination of whether the compliance requirement is monetary or non-monetary is contingent upon the specific requirements of the program being tested as well as requirements contained within the grant agreement. For sections E and N, auditors should tailor the assessment as appropriate based on the facts and circumstances of their entity’s operations, update the Compliance Requirement Matrix for the appropriate designation (N or M), and document the research and reasoning behind the determination.*

***(7)*** *AU-C 935.13 & .A7 require auditors to establish and document two materiality levels: (1) a materiality level for the program as a whole, and (2) a second materiality level for the each of the applicable 12 compliance requirement listed in Appendix XI to Part 200. This column documents quantitative materiality at the compliance requirement level for each major program.*

*Note: If the compliance requirement is (1) of a monetary nature, and (2) the requirement applies to the* ***total*** *population of program expenditures, then the compliance materiality amount for the program also equals materiality for the requirement as shown in the last column of the matrix. For example, the population for allowable costs and cost principles will usually equal the total Federal expenditures for the major program as a whole. Conversely, the population for some monetary compliance requirements may be less than the total Federal expenditures. Auditors must carefully determine the population subject to the compliance requirement to properly assess Federal materiality. Auditors should also consider the qualitative aspects of materiality. For example, in some cases, noncompliance and internal control deficiencies that might otherwise be immaterial could be significant to the major program because they involve fraud, abuse, or illegal acts. The program level materiality, typically 5%, is documented in the Record of Single Audit Risk (RSAR).*

**Performing Tests to Evaluate the Effectiveness of Controls**

*Control Risk Assessment:*

*Auditors must:*

* *Document the five internal control components (control environment, risk assessment, control activities, information and communication, and monitoring) for each direct and material compliance requirement and*
* *Perform procedures to obtain an understanding of internal control over compliance for federal programs that is sufficient to plan the audit to support a low assessed level of control risk.*

*If internal control over compliance for a compliance requirement is likely to be ineffective in preventing or detecting noncompliance, the auditor is not required to plan and perform tests of internal control over compliance. Rather, the auditor must assess control risk at maximum, determine whether additional compliance tests are required, and report a significant deficiency (or material weakness) as part of the audit findings.*

*AICPA Single Audit Guide’s paragraph 9.08 states that Uniform Guidance provides that the auditors must perform tests of internal controls over compliance as planned. (Paragraphs 9.40-9.42 of the* *AICPA Single Audit Guide discuss an exception related to ineffective internal control over compliance.) In addition, AU-C 330.08 states the auditor should design and perform tests of controls to obtain sufficient appropriate audit evidence about the operating effectiveness of relevant controls. Further, AU-C 330.09 states in designing and performing tests of controls, the auditor should obtain more persuasive audit evidence the greater the reliance the auditor places on the effectiveness of a control.*

*Testing of the operating effectiveness of controls ordinarily includes procedures such as*

1. *inquiries of appropriate entity personnel, including grant and contract managers;*
2. *the inspection of documents, reports, or electronic files indicating performance of the control;*
3. *the observation of the application of the specific controls; and*
4. *reperformance of the application of the control by the auditor.*

*The auditor should perform such procedures regardless of whether he or she would otherwise choose to obtain evidence to support an assessment of control risk below the maximum level.*

*Paragraph .A24 of AU-C section 330 provides guidance related to the testing of controls. When responding to the risk assessment, the auditor may design a test of controls to be performed concurrently with a test of details on the same transactions. Although the purpose of a test of controls is different from the purpose of a test of details, both may be accomplished concurrently by performing a test of controls and a test of details on the same transaction (a dual-purpose test). For example, the auditor may examine an invoice to determine whether it has been approved and whether it provides substantive evidence of a transaction. A dual-purpose test is designed and evaluated by considering each purpose of the test separately.*

*Also, when performing the tests, the auditor should consider how the outcome of the test of controls may affect the auditor’s determination about the extent of substantive procedures to be performed. See chapter 11 of the AICPA Single Audit Guide for a discussion of the use of dual-purpose samples in a compliance audit.*

*Before a dual-purpose test is performed, AOS auditors must read AOSAM 30500 and 35900 for guidance.*

[Part 6](OMB_Part_6.pdf) of the 2023 OMB Compliance Supplement provides detailed guidance on assessing internal controls over the compliance requirements.

*(Source: 2023 OMB Compliance Supplement)*

**Improper Payments**

Under OMB guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010 Presidential memorandum to enhance payment accuracy, federal agencies are required to take actions to prevent improper payments, review federal awards for such payments, and, as applicable, reclaim improper payments. Improper payments include the following:

1. Any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement; and includes -- (i) any payment to an ineligible recipient;(ii) any payment for an ineligible good or service; (iii) any duplicate payment; (iv) any payment for a good or service not received, except for those payments where authorized by law; and (v) any payment that does not account for credit for applicable discounts.
2. A payment that could be either proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

Auditors must be alert to improper payments, particularly when testing the following parts of section III. – A, “Activities Allowed or Unallowed;” B, “Allowable Costs/Cost Principles;” E, “Eligibility;” and, in some cases, N, “Special Tests and Provisions.”

*(Source: 2023 OMB Compliance Supplement Part 3)*

# Part I – OMB Compliance Supplement Information

### I. Program Objectives

Note: This program is considered a “higher risk” program for 2023, pursuant to 2 CFR section 200.519(c)(2). Refer to the “Programs with Higher Risk Designation” section of Part 8, Appendix IV, Internal Reference Tables, for a discussion of the impact of the “higher risk” designation on the major program determination process.

Two pieces of legislation authorized funding for Emergency Rental Assistance. The authorizations include some different legal requirements. Therefore, this Compliance Supplement addresses the requirements as “ERA 1” and “ERA 2.” ERA 1 was authorized by Division N, Title V, Section 501 of the Consolidated Appropriations Act, 2021 (the Act), Pub. L. No. 116-260 (December 27, 2020), codified at 15 USC 9058a. ERA 2 was authorized by Title III, Subtitle B, Section 3201 of the American Rescue Plan Act (ARPA), 2021, Pub. L. No. 117-2 (March 11, 2021), codified at 15 USC 9058c. Both ERA 1 and ERA 2 funding is defined as “other financial assistance” per 2 CFR Part 200.1 and both ERA 1 and ERA 2 are administered by Treasury as direct payments for specified use.

The purpose of ERA is to provide direct payments to eligible entities to assist eligible households with financial assistance and to provide housing stability services and, in the case of ERA 2 as applicable, to cover the costs for other affordable rental housing and eviction prevention activities. ERA grantees may provide assistance directly to eligible landlords and utility providers on behalf of an eligible household or directly to an eligible household (See 15 USC 9058a(c)(2)(C)(i) and FAQ 12 for more detail on landlords and utility provider participation in the program). Financial assistance for eligible households may include payment of rent, rental arrears, utilities and home energy costs, utilities and home energy costs arrears, and other expenses related to housing. ERA grantees may also use funds to provide housing stability services as authorized by the respective statutes.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### II. Program Procedures

**A. Overview**

ERA 1 provided $25 billion for the US Department of the Treasury (Treasury) to make payments to States (defined to include the District of Columbia), US territories (Puerto Rico, US Virgin Islands, Guam, Northern Mariana Islands, and American Samoa), Indian tribes or their tribally designated housing entities, as applicable, the Department of Hawaiian Home Lands, and certain local governments with more than 200,000 residents. These entities are collectively referred to as “eligible grantees” or “ERA 1 grantees.” ERA 1 award funds may be used to provide financial assistance and housing stability services to eligible households. All ERA 1 grantees that submitted the requested documentation to Treasury and executed a financial assistance agreement received their total ERA 1 award funds in one payment.

ERA 2 provided $21.55 billion for Treasury to make payments to States (defined to include the District of Columbia), US Territories (Puerto Rico, US Virgin Islands, Guam, Northern Mariana Islands, and American Samoa), and local governments with more than 200,000 residents. These entities are collectively referred to as “eligible grantees” or “ERA 2 grantees.” ERA 2 award funds may be used to assist eligible households with financial assistance and to provide housing stability services and, as applicable, to cover the costs for other affordable rental housing and eviction prevention activities.

Pursuant to 15 USC 9058c (c)(1), Treasury made initial payments of 40 percent of an eligible grantee’s total award amount to each grantee under ERA 2 that submitted the required documentation and executed the financial assistance agreement. Through February 2022, Treasury made payments of the remaining 60 percent of ERA 2 grantees’ award funds after they certified that at least 75 percent of the initial ERA 2 payment had been obligated pursuant to 15 USC 9058c(c)(2). Beginning in February 2022, Treasury altered its ERA 2 payment tranche policy to allow grantees to receive the remainder of their ERA 2 award funds in two payments (half of the remaining balance, followed by the remaining balance), subject to potential reductions resulting from the implementation of a statutory reallocation requirement with each tranche payment only made after grantees certified that they have obligated at least 75 percent of the funds already disbursed pursuant to 15 USC 9058c(c)(2).

Additional information on statutory differences between ERA 1 and ERA 2 are described in the Emergency Rental Assistance Frequently Asked Questions (FAQs) posted at: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/faqs>.

15 USC 9058a(b)(1)(A) directs Treasury to use US Census Bureau data for the most recent year for which data is available for population calculations for determining the populations of state and local governments. Funds are distributed via a per capita formula allocation detailed on Treasury.gov that considers the minimum allocation of $200 million for states and the District of Columbia. Allocation amounts can be found via the following link: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/allocations-and-payments>.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### III. Source of Governing Requirements

Emergency Rental Assistance (“ERA 1”), Division N, Title V, Section 501 of the Consolidated appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020) and codified as 15 USC 9058a.

Emergency Rental Assistance (“ERA 2”), Title III, Subtitle B, Section 3201 of the American Rescue Plan Act, 2021, Pub. L. No. 117-2 (March 11, 2021) codified as 15 USC 9058c.

Section 15011 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub. L. No. 116-136), codified by 15 USC 9058a, as amended by Title VIII, Section 801(b) of the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260), codified at 15 USC 9058c, on December 27, 2020.

Treasury’s Frequently Asked Questions (FAQs) and related guidance available on Treasury.gov, including important version changes over time that can be found on the ERA website.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### IV. Other Information

**Availability of Other Program Information**

1. General information for ERA is available on Treasury’s website at [www.treasury.gov/ERA](http://www.treasury.gov/ERA). Information includes the following documents:

a. ERA 1 authorizing statute: <https://www.govinfo.gov/content/pkg/PLAW-116publ260/pdf/PLAW-116publ260.pdf> (See pages 889 - 899)

This document details information that is contained in the authorizing statute including funds appropriated for ERA 1.

b. ERA 2 authorizing statute: <https://www.govinfo.gov/content/pkg/PLAW-117publ2/pdf/PLAW-117publ2.pdf> (See pages 52 - 56)

This document details information that is contained in the authorizing statute including funds appropriated for ERA 2.

c. 15 USC 9058a(g)(1) regarding ERA 1 reporting: <https://www.govinfo.gov/content/pkg/PLAW-116publ136/pdf/PLAW-116publ136.pdf> (See pages 260 - 262)

This document provides information on grantee reporting the use of funds.

d. ERA 1 Award Terms template: <https://home.treasury.gov/system/files/136/Emergency-rental-assistance-terms-FINAL.pdf> (See pages 1 - 5)

This document provides award terms as a condition to the receipt of payment from Treasury for ERA 1.

e. ERA 2 Award Terms template: <https://home.treasury.gov/system/files/136/ERA2_Grantee_Award_Terms_572021.pdf> (See pages 1 - 5)

This document provides award terms as a condition to the receipt of payment from Treasury for ERA 2.

f. Treasury’s ERA Frequently Asked Questions (FAQs) and guidance are available at: <https://home.treasury.gov/system/files?file=136/ERA-FAQ-7.27.22.pdf> (See pages 1-18)

Treasury released FAQs as guidance regarding ERA 1 and ERA 2 except where differences are specifically noted.

g. Treasury’s ERA 1 Reallocation guidance: <https://home.treasury.gov/system/files/136/UpdatedERA1ReallocationGuidanceSep6.pdf> (See pages 1 - 8)

The ERA 1 statute requires Treasury to identify “excess funds” for reallocation from amounts Grantees have “not obligated” from their initial ERA 1 allocations.

h. Treasury’s ERA 2 Reallocation guidance: <https://home.treasury.gov/system/files/136/ERA2-Reallocation-Guidance-March-30-2022.pdf> (See pages 1 - 6)

The ERA 2 statute requires Treasury to identify funds for reallocation from amounts allocated to eligible Grantees, but not yet paid out to them.

i. ERA Compliance and Reporting guidance: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/reporting> (See web page)

Treasury instituted a webpage that provides information and guidance on quarterly reporting and compliance.

j. Guidance from the Treasury Office of Inspector General (OIG) related to the reporting of ERA fraud, waste, and abuse and any future monitoring of funds requirements (where applicable): <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/fraud> (See web page)

Treasury OIG provided guidance to grantees on what to do if they suspect fraud, waste, and abuse.

k. ERA Promising Practices guidance: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/promising-practices> (See web page)

2. Treasury has engaged with ERA grantees across the country to identify program strategies that promise to speed up program implementation, more efficiently deliver program benefits, enhance program integrity, and improve tenant and landlord access to programs.

a. ERA Program and Service Design guidance: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/service-design> (See web page)

Treasury provided guidance on consideration for good program design and delivery.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

# Part II – Pass through Agency and Grant Specific Information

**This section should contain introductory program specific information that is applicable to the program AL being tested from the pass-through agency and contained within the individual grant agreement.**

### Program Overview

### Testing Considerations

### Reporting

*Example SEFA and Footnote shells, the “Single Audit SEFA 2023 Completeness Guide” and additional resources are available for AOS Staff on the Intranet and for IPAs on the* [*IPA Resource Internet Page*](http://www.ohioauditor.gov/references/practiceaids.html)*.*

# Part III – Applicable Compliance Requirements

## A. ACTIVITIES ALLOWED OR UNALLOWED

### OMB Compliance Requirements

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A)**and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR Part 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and auditors) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Source of Governing Requirements**

The requirements for activities allowed or unallowed are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Activities Allowed**

a. ERA 1 and ERA 2 funds may be used for administrative expenses, housing stability services, and financial assistance on behalf of an eligible household, as defined in the Treasury guidance. In the case of ERA 2, after October 2022, grantees that have obligated 75 percent of their allocations may choose to use up to 25 percent of their allocation for, “other affordable rental housing and eviction prevention purposes, as defined by the Secretary, serving very low-income families.” Treasury released guidance for these additional uses as FAQ 46 in July 2022.

Where applicable, the final ERA 1 payment amount distributed by Treasury to the ERA 1 grantee through an ERA 1 “redirect” and/or “reallocation” process, pursuant to Treasury’s Reallocation Guidance, is described on Treasury.gov. If a grantee receives redirected or reallocated funds, the funds are subject to the same requirements under the ERA 1 Award Terms previously accepted by the grantee in connection with their ERA 1 award with the addition that grantees receiving reallocated ERA 1 funds may request from Treasury an extension of their final obligation date from September 30, 2022, to December 29, 2022. Please see the ERA page at [Treasury.gov](https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/faqs/change-log) and [ERA FAQs](https://home.treasury.gov/system/files/136/FAQs-05102023.pdf) for the latest guidance regarding eligible uses under ERA 1 and ERA 2. (See FAQs 1, 4-7, 16-20, 26-28, 35 and 39-42)

b. Administrative Expenses: The revised Award Terms for ERA 1 and ERA 2 awards issued by Treasury permits ERA grantees to use award funds provided to cover both direct and indirect administrative costs. The cost of a grantee contacting a landlord to encourage their participation and acceptance of ERA assistance is one of many examples of an eligible administrative cost. Under ERA 1, a grantee may use up to 10 percent of the total award amount for direct and indirect administrative costs and may use up to 10 percent of the total award amount for housing stability services. Under ERA 2, a grantee may use up to 15 percent of the total award amount for direct and indirect administrative costs and may use up to 10 percent of the total award amount for housing stability services as described below (See also FAQ 29).

c. Housing Stability Services: Under ERA 1, housing stability services includes case management and other services related to the COVID-19 outbreak intended to help keep households stably housed. Under ERA 2, housing stability services do not have to be related to the COVID-19 outbreak. For ERA 1 and ERA 2, housing stability services include those that enable households to maintain or obtain housing. Such services may include, among other things, eviction prevention and eviction diversion programs; mediation between landlords and tenants; housing counseling; fair housing counseling; housing navigators or promotors that help households access programs or find housing; case management related to housing stability; housing-related services for survivors of domestic abuse or human trafficking; legal services or attorney’s fees related to eviction proceedings and maintaining housing stability; and specialized services for individuals with disabilities or seniors that support their ability to access or maintain housing (See FAQ 23).

d. Financial Assistance: Financial assistance to households includes payment of rent, rental arrears, utilities and home energy costs, utility and home energy costs arrears, and other expenses related to housing pursuant to 15 USC 9058a(c)(2)(A). Please note that under the ERA 1 program, award funds used for “other expenses” must be related to housing and “incurred due, directly or indirectly, to the novel coronavirus disease (COVID-19) outbreak” (See 15 USC 9058a(c)(2)(A)(v). However, the ERA 2 statute requires that “other expenses” be “related to housing” but does not require that they be incurred due to the COVID-19 outbreak (See 15 USC 9058a(d)(1)(A)(V)). The amount of financial assistance for prospective rent cannot exceed three months under a single household application (See FAQ 10). There is no maximum dollar amount for the cumulative financial assistance that may be provided on behalf of an eligible household beyond the requirements set forth in the ERA FAQs. These requirements include that amounts paid be based on documentation of household income, leases, and equivalent forms (or for applicants unable to present adequate documentation, a written attestation from the applicant up to a monthly maximum of 100 percent of the greater of the Fair Market Rent or the Small Area Fair Market Rent for the area in which the applicant resides) and that the amount of assistance provided to any household under ERA 1 and ERA 2, including assistance provided by other ERA 1 and ERA 2 grantees cannot exceed 18 months (See FAQ 10).

Financial assistance arrears may only cover household expenses accrued on or after March 13, 2020, up to a maximum of 15 months for ERA 1 and a maximum of 18 months, under ERA 1 and ERA 2 combined. For prospective rent assistance greater than three months up to the statutory maximum of 18 months under ERA 1 and ERA 2, the household must apply to the program again and the grantee must have sufficient funds.

Households may receive up to 12 months of assistance under ERA 1 and an additional three months if necessary to ensure housing stability for the household for a total of three months. This means that for ERA 1, the maximum rental arrears monthly coverage period, where applicable, is 15 months where necessary for housing stability and households may only receive up to three months of prospective rent, where applicable and qualifying (See FAQ 10).

Examples of other costs for both ERA 1 and ERA 2 include relocation expenses (including prospective relocation expenses), rental security deposits, rental fees including application and screening fees, reasonable accrued late fees, Internet service to a given rental unit, and rental bonds where necessary to avoid an eviction order, as provided in the Treasury guidance and subject to certain conditions (for example, that Internet service expenses are eligible only if grantees establish policies governing the appropriate of use for this purpose).

e. Other Affordable Rental Housing and Eviction Prevention Purposes: Treasury released FAQ 46 on July 2022 to define these uses.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).
2. Determine whether Federal awards were expended only for allowable activities.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors):***Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors):***Person(s) responsible for performing the control procedure** *(Title):***Description of evidence documenting the control was applied** *(i.e. sampling unit):* |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*1. Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of the contract or grant agreements pertaining to the program.*Auditors should be able to identify these activities using Part 4 requirements as well as tailoring the “Additional Program Specific Information” section above.*2. When allowability is determined based upon summary level data, perform procedures to verify that:a. Activities were allowable.b. Individual transactions were properly classified and accumulated into the activity total.\*3. When allowability is determined based upon individual transactions, select a sample of transactions and perform procedures to verify that the transaction was for an allowable activity.4. The auditor should be alert for large transfers of funds from program accounts which may have been used to fund unallowable activities. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## B. ALLOWABLE COSTS/COST PRINCIPLES

**Introduction**

2 CFR Part 200, Subpart E and Appendices III-VII establish principles and standards for determining allowable direct and indirect costs for Federal awards. This section is organized into the following areas of allowable costs: States and Local Government and Indian Tribe Costs (Direct and Indirect); State/Local Government Central Service Costs; and State Public Assistance Agency Costs.

*(Source: 2023 OMB Compliance Supplement Part 3)*

*FACCR Section B includes five distinct testing sections, the first of which is always applicable.*

1. *Cost Principles for States, Local Governments, and Indian Tribes – testing guidance and steps included in FACCR, not separate testing document.*

*Auditors* ***must*** *evaluate if additional section(s) are applicable to their Entity, including sources reviewed to verify applicability. For additional sections, auditors must pull the testing section(s) into their working papers and test accordingly.*

*Additional testing sections are located* [***here***](https://ohauditor.sharepoint.com/sites/Intranet/Shared%20Documents/Forms/AllItems.aspx?FolderCTID=0x0120002FFBFB1F4A3C3F47AE37C7A44E1C1EDE&id=%2Fsites%2FIntranet%2FShared%20Documents%2FAudit%5FResources%2FFederal%2FFACCRs%20and%20IRAFs%2F2023%2FSection%20B%20Addenda&viewid=68cb3ab2%2D567e%2D456a%2D975c%2Da88f3e9c3727)*for AOS auditors and* [***here***](https://ohioauditor.gov/references/practiceaids/faccrs.html) *for IPA auditors.*

1. *De Minimis Indirect Cost Rate*
	1. *This section must be tested if the Entity utilizes the de minimis indirect cost rate to charge indirect costs to the grant, whether as a recipient or subrecipient.*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
2. *Allowable Costs – State/Local Government-wide Central Service Costs*
	1. *This section must be tested if the Entity allocated costs to the grant using central service cost allocation plans (CAPs).*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
3. *Allowable Costs – State Public Assistance Agency Costs*
	1. *This section must be tested if the Entity charged state public assistance agency costs to the grant.*
		1. *State public assistance agency costs are defined as (1) all costs allocated or incurred by the State agency except expenditures for financial assistance, medical vendor payments, and payments for service and goods provided directly to program recipients and (2) normally charged to Federal awards by implementing the public assistance cost allocation plan (CAP).*
		2. *This may be applicable at the local level if local entities perform procedures to support the State compliance (For example, this may occur with JFS programs)*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**
4. *Cost Principles for Nonprofit Organizations*
	1. *This section must be tested if the Entity is a nonprofit organization.*
	2. *Applicability Determination:* **Auditors must specify here if this section is applicable to the Entity and identify which sources were reviewed to make the determination.**
	3. *If applicable, testing documents:* **Link to testing documents**

### Applicability of Cost Principles

*For a cost to be allowable, it must (1) be for a purpose the specific award permits (tested in FACCR Section A) and (2) fall within 2 CFR Part 200, Subpart E Cost Principles (tested in FACCR Section B). These two criteria are roughly analogous to classifying a cost by both program/function and object. That is, the grant award generally prescribes the allowable program/function while 2 CFR 200, Subpart E prescribes allowable object cost categories and restrictions that may apply to certain object codes of expenditures.*

*For example, could a government use an imaginary Homeland Security grant to pay OP&F pension costs for its police force? To determine this, the client (and we) would look to the grant agreement to see if police activities (security of persons and property function cost classification) met the program objectives. Then, the auditor would look to Subpart E (provisions for selected items of cost § 200.420-200.476) to determine if pension costs (an object cost classification) are permissible. (200.431(g) states they are allowable, with certain provisions, so we would need to determine if the auditee met the provisions.) Both the client and the auditor should look at 2 CFR Part 200, Subpart E even if the grant agreement includes a budget by object code approved by the grantor agency. Also, keep in mind that granting agencies have codified 2 CFR Part 200 and some agencies have been granted exceptions to provisions within 2 CFR Part 200.*

*The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of the Federal award contracts or grant agreements pertaining to the program.*

The cost principles in 2 CFR Part 200, Subpart E (Cost Principles), prescribe the cost accounting requirements associated with the administration of Federal awards by:

1. States, local governments and Indian tribes
2. Institutions of higher education (IHEs)
3. Nonprofit organizations

As provided in 2 CFR 200.101, the cost principles requirements apply to all Federal awards with the exception of grant agreements and cooperative agreements providing food commodities; agreements for loans, loan guarantees, interest subsidies, insurance; and programs listed in 2 CFR 200.101(e) (see Appendix I of this Supplement). Federal awards administered by publicly owned hospitals and other providers of medical care are exempt from 2 CFR Part 200, Subpart E, but are subject to the requirements [45 CFR Part 75, Appendix IX](45_CFR_Part_75.pdf), the Department of Health and Human Services (HHS) implementation of 2 CFR Part 200. The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal awarding agency or indirectly through a pass-through entity. For this purpose, Federal awards include cost-reimbursement contacts under the Federal Acquisition Regulation (FAR). The cost principles do not apply to Federal awards under which a non-Federal entity is not required to account to the Federal awarding agency or pass-through entity for actual costs incurred.

**Source of Governing Requirements**

The requirements for allowable costs/cost principles are contained in 2 CFR Part 200, Subpart E, program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

The requirements for the development and submission of indirect (facilities and administration (F&A)) cost rate proposals and cost allocation plans (CAPs) are contained in 2 CFR Part 200, Appendices III-VII as follows:

* Appendix III to Part 200—Indirect (F&A) Const Identification and Assignment and Rate Determination for Institutions of Higher Education (IHEs)
* Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
* Appendix V to Part 200—State/Local Government-Wide Central Service Cost Allocation Plans
* Appendix VI to Part 200—Public Assistance Cost Allocation Plans
* Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals

Except for the requirements identified below under “Basic Guidelines,” which are applicable to all types of non-Federal entities, this compliance requirement is divided into sections based on the type of non-Federal entity. The differences that exist are necessary because of the nature of the non-Federal entity organizational structures, programs administered, and breadth of services offered by some non-Federal entities and not others.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Basic Guidelines**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards;

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E.

2. Conform to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E or in the Federal award as to types or amount of cost items.

3. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.

4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

5. Be determined in accordance with generally accepted accounting principles (GAAP), except, for State and local governments and Indian tribes only, as otherwise provided for in 2 CFR Part 200.

6. Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.

7. Be adequately documented.

**Selected Items of Cost**

2 CFR 200.420 - 200.476 provide the principles to be applied in establishing the allowability of certain items of cost, in addition to the basic considerations identified above. These principles apply whether or not a particular item of cost is treated as a direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment provided for similar or related items of cost and the principles described in 2 CFR 200.402 - 200.411.

[List of Selected Items of Cost Contained in 2 CFR Part 200](Selected_Items_of_Cost_Part_3_ComplianceSupplement.pdf)

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

The cost principles in 2 CFR Part 200, Subpart E (Cost Principles) except the 2 CFR 200.418 and 2 CFR 200.419 apply to ERA 1 and ERA 2. Under ERA 1, a grantee may use up to 10 percent of the total award amount for direct and indirect administrative costs. Under ERA 2, a grantee may use up to 15 percent of the total award amount for direct and indirect administrative costs (See [FAQ 29](https://home.treasury.gov/system/files/136/FAQs-05102023.pdf)).

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

***Written Procedure Requirements:***

*2 CFR 200.302(b)(7) requires written procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles of this part and the terms and conditions of the Federal award.*

*2 CFR 200.430 states that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.*

*2 CFR 200.431 requires established written leave policies if the entity intends to pay fringe benefits.*

*2 CFR 200.464(a)(2) requires reimbursement of relocation costs to employees be in accordance with an established written policy must be consistently followed by the employer.*

*2 CFR 200.475 requires reimbursement and/or charges to be consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally funded activities and in accordance with non-Federal entity's written travel reimbursement policies.*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Cost Principles for States, Local Governments and Indian Tribes

### OMB Compliance Requirements

**Direct Costs**

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

**Indirect Costs**

*Allocation of Indirect Costs and Determination of Indirect Cost Rates*

1. The specific methods for allocating indirect costs and computing indirect cost rates are as follows:
	1. *Simplified Method* – This method is applicable where a governmental unit’s department or agency has only one major function, or where all its major functions benefit from the indirect cost to approximately the same degree. The allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures described in 2 CFR Part 200, Appendix VII, paragraph C.2.
	2. *Multiple Allocation Base Method* – This method is applicable where a governmental unit’s department or agency has several major functions that benefit from its indirect costs in varying degrees. The allocation of indirect costs may require the accumulation of such costs into separate groupings which are then allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. (For detailed information, refer to 2 CFR Part 200, Appendix VII, paragraph C.3.)
	3. *Special Indirect Cost Rates* – In some instances, a single indirect cost rate for all activities of a department or agency may not be appropriate. Different factors may substantially affect the indirect costs applicable to a particular program or group of programs (e.g., the physical location of the work, the nature of the facilities, or level of administrative support required). (For the requirements for a separate indirect cost rate, refer to 2 CFR Part 200, Appendix VII, paragraph C.4.)
	4. *Cost Allocation Plans* – In certain cases, the cognizant agency for indirect costs may require a state or local government o unit’s department or agency to prepare a CAP instead of an ICRP. These are infrequently occurring cases in which the nature of the department or agency’s federal awards makes impracticable the use of a rate to recover indirect costs. A CAP required in0 such cases consists of narrative descriptions of the methods the department or agency uses to allocate indirect costs to programs, awards, or other cost objectives. Like an ICRP, the CAP either must be submitted to the cognizant agency for indirect cost for review, negotiation, and approval, or retained on file for inspection during audits.

*Submission Requirements*

1. Submission requirements are identified in 2 CFR Part 200, Appendix VII, paragraph D.1. All departments or agencies of a governmental unit claiming indirect costs under federal awards must prepare an ICRP and related documentation to support those costs.
2. A state/local department or agency or Indian tribe that receives more than $35 million in direct federal funding must submit its ICRP to its cognizant agency for indirect costs. Other state/local government departments or agencies that are not required to submit a proposal to the cognizant agency for indirect costs must develop an ICRP in accordance with the requirements of 2 CFR Part 200 and maintain the proposal and related supporting documentation for audit.
3. Where a government receives funds as a subrecipient only, the pass-through entity will be responsible for the indirect cost rate used (2 CFR section 200.331(a)(4)).
4. Each Indian tribe desiring reimbursement of indirect costs must submit its ICRP to the DOI (its cognizant agency for indirect costs).
5. ICRPs must be developed (and, when required, submitted) within 6 months after the close of the governmental unit’s fiscal year, unless an exception is approved by the cognizant agency for indirect costs.

*Documentation and Certification Requirements*

The documentation and certification requirements for ICRPs are included in 2 CFR Part 200, Appendix VII, paragraphs D.2 and 3, respectively. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in 2 CFR section 200.333(f).

**Cognizant Agency for Indirect Costs**

2 CFR Part 200, Appendix V, paragraph F, provides the guidelines to use when determining the Federal agency that will serve as the cognizant agency for indirect costs for States, local governments, and Indian tribes. References to the “cognizant agency for indirect costs” are not equivalent to the cognizant agency for audit responsibilities, which is defined in 2 CFR 200.1\_Cognizant\_Agency.

For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is generally the Federal agency with the largest value of direct Federal awards (excluding pass-through awards) with a governmental unit or component, as appropriate. In general, unless different arrangements are agreed to by the concerned Federal agencies or described in 2 CFR Part 200, Appendix V, paragraph F, the cognizant agency for central service cost allocation plans is the Federal agency with the largest dollar value of total Federal awards (including pass-through awards) with a governmental unit.

Once designated as the cognizant agency for indirect costs, the Federal agency remains so for a period of 5 years. In addition, 2 CFR Part 200, Appendix V, paragraph F, lists the cognizant agencies for certain specific types of plans and the cognizant agencies for indirect costs for certain types of governmental entities. For example, HHS is cognizant for all public assistance and State-wide cost allocation plans for all States (including the District of Columbia and Puerto Rico), State and local hospitals, libraries, and health districts and the Department of the Interior (DOI) is cognizant for all Indian tribal governments, territorial governments, and State and local park and recreational districts.

*(Source: 2023 OMB Compliance Supplement Part 3)*

#### Audit Objectives and Control Tests: Allowable Costs –– Direct and Indirect Costs

The individual State/local government/Indian tribe departments or agencies (also known as “operating agencies”) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement **under** Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with 2 CFR Part 200, Subpart E.

The indirect cost rate proposal (ICRP) provides the documentation prepared by a State/local government/Indian tribe department or agency to substantiate its request for the establishment of an indirect cost rate. The indirect costs include (1) costs originating in the department or agency of the governmental unit carrying out Federal awards, and (2) for States and local governments, costs of central governmental services distributed through the State/local government-wide central service CAP that are not otherwise treated as direct costs. The ICRPs are based on the most current financial data and are used to either establish predetermined, fixed, or provisional indirect cost rates or to finalize provisional rates (for rate definitions refer to 2 CFR Part 200, Appendix VII, paragraph B).

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

**Audit Objectives: Direct Costs**

1. Determine whether the organization complied with the provisions of 2 CFR Part 200 as follows:
2. Direct charges to federal awards were for allowable costs.
3. Unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing an indirect cost rate.

**Audit Objectives: Indirect Costs**

1. Determine whether the governmental unit complied with the provisions of 2 CFR Part 200 as follows:
2. Charges to cost pools used in calculating indirect cost rates were for allowable costs.
3. The methods for allocating the costs are in accordance with the cost principles, and produce an equitable and consistent distribution of costs (e.g., all activities that benefit from the indirect cost, including unallowable activities, must receive an appropriate allocation of indirect costs).
4. Indirect cost rates were applied in accordance with negotiated indirect cost rate agreements (ICRA).
5. For State/local departments or agencies that do not have to submit an ICRP to the cognizant agency for indirect costs (those that receive less than $35 million in direct Federal awards), indirect cost rates were applied in accordance with the ICRP maintained on file.

*(Source: 2023 OMB Compliance Supplement Part 3)*

***Additional Control Test Objectives for Written Procedures***

*When documenting and identifying the key control(s) in place to address the compliance requirement, consider if the client has written procedures to document the control process.*

* *UG requires written policies for the requirements outlined in 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
* *Document whether the non-federal entity established written procedures consistent with the following requirements:*
	+ *2 CFR 200.302(b)(7) for determining the allowability of costs in accordance with Subpart E-Cost Principles.*
	+ *2 CFR 200.430 for allowability of compensation costs.*
	+ *2 CFR 200.431 for written leave policies.*
	+ *2 CFR 200.464(a)(2) for reimbursement of relocation costs.*
	+ *2 CFR 200.475 for travel reimbursements.*
* *It is auditor judgment how to report instances where the entity either lacks having a written policy or their written policy is insufficient to meet the requirements of 2 CFR 200.302(b)(7), 2 CFR 200.430, 2 CFR 200.431, 2 CFR 200.464(a)(2), and 2 CFR 200.475.*
	+ *While auditors would normally use a written policy as the basis for the compliance control, there could be other key controls in place to ensure program compliance.*
	+ *The lack of a policy would be noncompliance, which could rise to the level of material noncompliance and even a control deficiency (SD / MW) if there were underlying internal control deficiencies.*
		- *If there are key controls in place operating effectively, AOS auditors would report the lack of the required UG policy as a management letter citation. However, in subsequent audits, evaluate if the noncompliance should be elevated if not adopted. Written policies aid in consistency and adherence to requirements strengthening internal control processes.*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

#### Suggested Substantive Audit Procedures – Compliance – Direct and Indirect Costs

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.****Direct Costs*** \*Test a sample of transactions for conformance with the following criteria contained in 2 CFR Part 200, as applicable:1. If the auditor identifies unallowable direct costs, the auditor should be aware that “directly associated costs” might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would not have been incurred if the other cost had not been incurred. For example, fringe benefits are “directly associated” with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable.
2. Costs were approved by the Federal awarding agency, if required (see the above table (Selected Items of Cost, Exhibit 1) or 2 CFR 200.407 for selected items of cost that require prior written approval).
3. Costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).

d. Costs were necessary and reasonable for the performance of the Federal award and allocable under the principles of 2 CFR Part 200, Subpart E.e. Costs conformed to any limitations or exclusions set forth in 2 CFR Part 200, Subpart E, or in the Federal award as to types or amount of cost items.*While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.* *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*f. Costs were consistent with policies and procedures that apply uniformly to both federally financed and other activities of the State/local government/Indian tribe department or agency.g. Costs were accorded consistent treatment. Costs were not assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.h. Costs were not included as a cost of any other federally financed program in either the current or a prior period.i. Costs were not used to meet the cost-sharing or matching requirements of another Federal program, except where authorized by Federal statute.j. Costs were adequately documented.***Indirect Costs***a. If the State/local department or agency is not required to submit an ICRP and related supporting documentation, the auditor should consider the risk of the reduced level of oversight in designing the nature, timing, and extent of compliance testing.b. *General Audit Procedures* – The following procedures apply to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs under Federal awards.(1) Test a sample of transactions for conformance with:(a) The criteria contained in the “Basic Considerations” section of 2 CFR 200.402 - 200.411.(b) The principles to establish allowability or unallowability of certain items of cost (2 CFR 200.420 - 200.476).*While several selected items of cost are included in Exhibit 1 , one item to note is* Compensation - Personnel Services*, (formally referred to as Time and Effort/Semi Annual Certification). See 2 CFR 200.430.* *As a reminder, this is a policy-based requirement. If employees are partially paid from at least one federal grant, auditors should review the auditee’s policy for ensuring employee pay is allocated to federal programs based on actual time spent on each program and test accordingly.*(2) If the auditor identifies unallowable costs, the auditor should be aware that directly associated costs might have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would have not been incurred if the other cost had not been incurred. When an unallowable cost is incurred, directly associated costs are also unallowable. For example, occupancy costs related to unallowable general costs of government are also unallowable.c. *Special Audit Procedures for State, Local Government, and Indian Tribe ICRPs (see also the AOS discussion on* [*testing the ICRP*](Testing_the_ICRP_discussion.pdf)*)*(1) Verify that the ICRP includes the required documentation in accordance with 2 CFR Part 200, Appendix VII, paragraph D.(2) *Testing of the ICRP* – There may be a timing consideration when the audit is completed before the ICRP is completed. In this instance, the auditor should consider performing interim testing of the costs charged to the cost pools and the allocation bases (e.g., determine from management the cost pools that management expects to include in the ICRP and test the costs for compliance with 2 CFR Part 200). Should there be audit exceptions, corrective action may be taken earlier to minimize questioned costs. In the next year’s audit, the auditor should complete testing and verify management’s representations against the completed ICRP.The following procedures are some acceptable options the auditor may use to obtain assurance that the costs collected in the cost pools and the allocation methods used are in compliance with 2 CFR Part 200, Subpart E:(a) *Indirect Cost Pool* – Test the indirect cost pool to ascertain if it includes only allowable costs in accordance with 2 CFR Part 200.(i) Test to ensure that unallowable costs are identified and eliminated from the indirect cost pool (e.g., capital expenditures, general costs of government).(ii) Identify significant changes in expense categories between the prior ICRP and the current ICRP. Test a sample of transactions to verify the allowability of the costs.(iii) Trace the central service costs that are included in the indirect cost pool to the approved State/local government or central service CAP or to plans on file when submission is not required.(b) *Direct Cost Base* – Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of 2 CFR Part 200 and produce an equitable distribution of costs.(i) Determine that the proposed base(s) includes all activities that benefit from the indirect costs being allocated.(ii) If the direct cost base is not limited to direct salaries and wages, determine that distorting items are excluded from the base. Examples of distorting items include capital expenditures, flow-through funds (such as benefit payments), and subaward costs in excess of $25,000 per subaward.(iii) Determine the appropriateness of the allocation base (e.g., salaries and wages, modified total direct costs).(c) *Other Procedures* (i) Examine the records for employee compensation to ascertain if they are accurate, and the costs are allowable and properly allocated to the various functional and programmatic activities to which salary and wage costs are charged. (Refer to 2 CFR 200.430 for additional information on support of salaries and wages.)(ii) For an ICRP using the multiple allocation base method, test statistical data (e.g., square footage, audit hours, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.(3) *Testing of Charges Based Upon the ICRA* – Perform the following procedures to test the application of charges to Federal awards based upon an ICRA:(a) Obtain and read the current ICRA and determine the terms in effect.(b) Select a sample of claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that rates were applied to the appropriate bases, and that the amounts claimed were the product of applying the rate to the applicable base. Verify that the costs included in the base(s) are consistent with the costs that were included in the base year (e.g., if the allocation base is total direct costs, verify that current-year direct costs do not include costs items that were treated as indirect costs in the base year).(4) *Other Procedures* – No Negotiated ICRA(a) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, the auditor should determine whether documentation exists to support the costs. When the auditee has documentation, the suggested general audit procedures under paragraph 3.b above should be performed to determine the appropriateness of the indirect cost charges to awards.(b) If an indirect cost rate has not been negotiated by a cognizant agency for indirect costs, and documentation to support the indirect costs does not exist, the auditor should question the costs based on a lack of supporting documentation. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.****This box should include results of applicable additional testing sections as determined at the beginning of Section B.***1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## E. ELIGIBILITY

### OMB Compliance Requirements

The specific requirements for eligibility are unique to each Federal program and are found in the statutes, regulations, and the terms and conditions of the Federal award pertaining to the program. For programs listed in the Supplement, these specific requirements are in Part 4, “Agency Program Requirements,” or Part 5, “Clusters of Programs,” as applicable. This compliance requirement specifies the criteria for determining the individuals, groups of individuals (including area of service delivery), or subrecipients that can participate in the program and the amounts for which they qualify.

**Source of Governing Requirements**

The requirements for eligibility are contained in program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Eligibility for Individuals**

To ensure eligibility requirements are met, household eligibility should be tested to focus on whether grantees established and adhered to reasonable policies for evaluating household applications within Treasury’s framework providing for the use of self-attestation, categorical eligibility, and fact-specific proxies in qualifying circumstances. Specific eligibility requirement can be found in FAQ 1 at <https://home.treasury.gov/system/files?file=136/ERA-FAQ-7.27.22.pdf>.

This approach to eligibility was implemented in accordance with 15 USC 9058a, for ERA 1 in 15 USC 9058a(c)(2)(C)(ii) concerning documentation of payments to households, 15 USC 9058a(f)(2)(A) and (B) of the Act concerning signature requirements for applications and documentation required for tenants, 15 USC 9058a (k)(1) concerning area median income determinations, and 15 USC 9058a (k)(3)(A)(I) and (II) concerning eligible household determinations and attestation requirements. This treatment is further explained in the ERA FAQs; 15 USC 9058a; and the Treasury, Department of Justice and Department of Housing and Urban Development joint letter issued August 27, 2021 (<https://home.treasury.gov/system/files/136/Eviction-Moratorium-Joint-Letter.pdf>).

To the extent that a grantee has established and consistently followed its own reasonable procedures for implementing an eligibility determination process, consistent with Treasury’s guidance, it is not Treasury’s expectation that grantees should seek additional documentation from a beneficiary after the initial determination of eligibility has been completed, including for those determined to be eligible using self-attestation, categorical eligibility, or fact-specific proxies in qualifying circumstances. Testing of individual household eligibility-related documentation should be limited to material already collected by the grantee during application as much as possible to avoid imposing undue burden on households that remain at risk of housing instability.

Treasury guidance related to determining where an applicant lives and the amount that they owe can be found in FAQ 5 <https://home.treasury.gov/system/files?file=136/ERA-FAQ-7.27.22.pdf>. Grantees must obtain, if available, a current lease, signed by the applicant and the landlord or sublessor, that identifies the unit where the applicant resides and establishes the rental payment amount. If a household does not have a signed lease, documentation of residence may include evidence of paying utilities for the residential unit, an attestation by a landlord who can be identified as the verified owner or management agent of the unit, or other reasonable documentation as determined by the grantee. In the absence of a signed lease, evidence of the amount of a rental payment may include bank statements, check stubs, or other documentation that reasonably establishes a pattern of paying rent, a written attestation by a landlord who can be verified as the legitimate owner or management agent of the unit, or other reasonable documentation as defined by the grantee in its policies and procedures.

Additional Treasury guidance related to income determination can be found in FAQ 4 and related guidance (<https://home.treasury.gov/system/files?file=136/ERA-FAQ-7.27.22.pdf>). ERA 2 builds on the eligibility criteria in ERA 1 and permits additional flexibilities.

The ERA FAQs document the full eligibility considerations for grantees to extend emergency assistance to vulnerable populations without imposing undue documentation burdens. As described, given the challenges presented by the COVID-19 pandemic, grantees may be flexible as to the particular form of documentation they require, including by permitting photocopies or digital photographs of documents, e-mails, or attestations from employers, landlords, caseworkers, or others with knowledge of the household’s circumstances.

Grantees must require all applications for assistance to include an attestation from the applicant household that all information included is correct and complete. In all cases, grantees must document their policies and procedures for determining household eligibility to include policies and procedures for determining the prioritization of households in compliance with the statute and maintain records of their determinations.

Grantees may rely on a written attestation without further documentation of household income from the applicant under three approaches:

a. Self-attestation Alone – In order to provide assistance rapidly during the public health emergency related to COVID-19, the grantee may rely on a self-attestation of household income, financial hardship, and/or risk of homelessness and housing instability without further verification if the applicant confirms in their application or other document that they are unable to provide documentation, provided the other requirements detailed in Treasury guidance are satisfied. If an applicant is able to provide satisfactory evidence of residence but is unable to present adequate documentation of the amount of the rental obligation, grantees may accept a written attestation from the applicant to support the payment of assistance up to a monthly maximum of 100 percent of the greater of the Fair Market Rent or the Small Area Fair Market Rent for the area in which the applicant resides, as most recently determined by HUD and made available at <https://www.huduser.gov/portal/datasets/fmr.html>;

b. Categorical Eligibility – If an applicant household income has been verified to be at or below 80 percent of the area median income (for ERA 1) or if an applicant household has been verified as a low-income family as defined in Section 3(b) of the United States Housing Act of 1937 (42 USC 1437a(b)) (for ERA 2) in connection with another local, state, or federal government assistance program, grantees are permitted to rely on a determination letter from the government agency that verified the applicant’s household income or status as a low-income family, provided that the determination for such program was made on or after January 1, 2020; and/or

c. Fact-specific proxy – A grantee may rely on a written attestation from the applicant household as to household income if the grantee also uses any reasonable fact-specific proxy for household income, such as reliance on data regarding average incomes in the household’s geographic area. Grantees also have discretion to provide waivers or exceptions to this documentation requirement to accommodate disabilities, extenuating circumstances related to the pandemic, or a lack of technological access. In these cases, the grantee is still responsible for making the required determination regarding the applicant’s household income and documenting that determination.

Grantees have discretion to provide waivers or exceptions to certain documentation requirements to accommodate disabilities, extenuating circumstances related to the pandemic, or a lack of technological access. In these cases, the grantee is still responsible for making the required determination regarding the applicant’s household income and documenting that determination. Pursuant to 15 USC 9058a(k)(3)(B), and 2 CFR 200.403, when providing ERA 1 assistance, the grantee must review the household’s income and sources of assistance to confirm that the ERA 1 assistance does not duplicate any other assistance, including federal, state, or local assistance provided for the same costs. Grantees may rely on an attestation from the applicant regarding non-duplication with other government assistance, and the duplication requirement does not apply to ERA 2; however, to maximize program efficacy, Treasury encourages grantees to minimize the provision of duplicative assistance.

Treasury strongly encourages grantees to rely on the self-certification of applicants with regard to whether their financial hardship meet statutory eligibility requirements. Similarly, with respect to determining whether one or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability, Treasury indicates that a grantee may rely on a past due utility or rent notice or eviction notice, evidence of unsafe or unhealthy living conditions (which may include overcrowding) or any other evidence of risk, as determined by the grantee. Treasury clearly indicates that a grantee may rely on an applicant’s self-certification identifying the applicable risk factor or factors, without further documentation, if other documentation is not immediately available.

After October 2022, grantees that have obligated 75 percent of their allocations may choose to use up to 25 percent of their allocation for, “other affordable rental housing and eviction prevention purposes, as defined by the Secretary, serving very low-income families.” Treasury released guidance for these additional uses as FAQ 46 in July 2022 – See <https://home.treasury.gov/system/files?file=136/ERA-FAQ-7.27.22.pdf>. In summary, eviction prevention purposes are those previously defined as housing stability uses. For affordable housing, the eligible uses include operation or development of affordable housing that utilizes another federal grant program for affordable housing development and has a 20 year affordability covenant.

**2. Eligibility for Groups of Individuals or Area of Service Delivery** – Not Applicable

**3. Eligibility for Subrecipients**  - Not Applicable

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### Additional Program Specific Information

*Auditors should clearly document the eligibility process implemented by the recipient, including who is responsible for the eligibility process step-by-step, the application process, and the final eligibility determinations. This process will be unique to individual recipients and drives both control and compliance testing.*

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether required eligibility determinations were made (including obtaining any required documentation/verification), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program.

3. Determine whether amounts provided to or on behalf of eligible participants or groups of participants were calculated in accordance with program requirements.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. Reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*1. *Eligibility for Individuals* a. For some Federal programs with a large number of people receiving benefits, the non-Federal entity may use a computer system for processing individual eligibility determinations and delivery of benefits. Often these computer systems are complex and will be separate from the non-Federal entity’s regular financial accounting system. Typical functions that a computer system used for determining eligibility may perform are:- Perform calculations to assist in determining who is eligible and the amount of benefits- Pay benefits (e.g., write checks)- Maintain eligibility records, including information about each individual and benefits paid to or on behalf of the individual (regular payments, refunds, and adjustments)- Track the period of time during which an individual is eligible to receive benefits, i.e., from the beginning date of eligibility through the date when those benefits stop, generally at the end of a predetermined period, unless there is a redetermination of eligibility - Perform matches with other computer databases to verify eligibility (e.g., matches to verify earnings or identify individuals who are deceased)- Control who is authorized to approve benefits for eligible individuals (e.g., an employee may be approving benefits on-line and this process may be controlled by passwords or other access controls)- Produce exception reports indicating likely errors that need follow-up (e.g., when benefits exceed a certain amount, would not be appropriate for a particular classification of individuals, or are paid more frequently than normal)Because of the diversity of computer systems, both hardware and software, it is not practical for this Supplement to provide suggested audit procedures to address each system. However, generally accepted auditing standards provide guidance for the auditor when computer processing relates to accounting information that can materially affect the financial statements being audited. Similarly, when eligibility is material to a major program, and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the non-Federal entity’s computer processing. The auditor should perform audit procedures relative to the computer system for eligibility as necessary to support the opinion on compliance for the major program. Due to the nature and controls of computer systems, the auditor may choose to perform these tests of the computer systems as part of testing the internal controls for eligibility.b. *Split Eligibility Determination Functions*(1) *Background* – Some non-Federal entities pay the Federal benefits to the eligible participants but arrange with another entity to perform part or all of the eligibility determination. For example, a State arranges with local government social services agencies to perform the “intake function” (e.g., the meeting with the social services client to determine income and categorical eligibility) while the State maintains the computer systems supporting the eligibility determination process and actually pays the benefits to the participants. In such cases, the State is fully responsible for Federal compliance for the eligibility determination, as the benefits are paid by the State. Moreover, the State shows the benefits paid as Federal awards expended on the State’s Schedule of Expenditures of Federal Awards. Therefore, the auditor of the State is responsible for meeting the internal control and compliance audit objectives for eligibility. This may require the auditor of the State to perform, coordinate, or arrange for additional procedures to ensure compliant eligibility determinations when another entity performs part of the eligibility determination functions. The responsibility of the auditor of the State for auditing eligibility does not relieve the auditor of the other entity (e.g., local government) from responsibility for meeting those internal control and compliance audit objectives for eligibility that apply to the other entity’s responsibilities. An exception occurs when the auditor of the other entity confirms with the auditor of the State that certain procedures are not necessary.(2) Ensure that eligibility testing includes all benefit payments regardless of whether another entity, by arrangement, performs part of the eligibility determination functions. c. Perform procedures to ascertain if the non-Federal entity’s records/database includes all individuals receiving benefits during the audit period (e.g., that the population of individuals receiving benefits is complete).d. Select a sample of individuals receiving benefits and perform tests to ascertain if (1) The required eligibility determinations and redeterminations, (including obtaining any required documentation/verifications) were performed and the individual was determined to be eligible in accordance with the compliance requirements of the program. (Note that some programs have both initial and continuing eligibility requirements and the auditor should design and perform appropriate tests for both. Also, some programs require periodic redeterminations of eligibility, which should also be tested.)(2) Benefits paid to or on behalf of the individuals were calculated correctly and in compliance with the requirements of the program.(3) Benefits were discontinued when the period of eligibility expired.e. In some programs, the non-Federal entity is required to use a quality control process to obtain assurances about eligibility. Review the quality control process and perform tests to ascertain if it is operating to effectively meet the objectives of the process and in compliance with applicable program requirements.2. *Eligibility for Group of Individuals or Area of Service Delivery –* ***Not Applicable***3. *Eligibility for Subrecipients –* ***Not Applicable*** |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## H. PERIOD OF PERFORMANCE

### OMB Compliance Requirements

A non-Federal entity may charge only allowable costs incurred during the approved budget period of a federal award’s 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 sections 2 CFR 200.308, 200.309, and 200.403(h). A period of performance may contain one or more budget periods.

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award (2 CFR 200.344(b)). When used in connection with a non-Federal entity’s utilization of funds under a Federal award, “financial obligations” means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period (2 CFR 200.1\_Obligations).

Period of Performance requirements for cost reimbursement contracts subject to the FAR are contained in the terms and conditions of the contract.

**Source of Governing Requirements**

The requirements for the period of performance are contained in 2 CFR 200.1 definitions for “budget period,” “financial obligations,” “period of performance,” 2 CFR 200.308 Revisions of budget and program plans, 2 CFR 200.309 Modifications to period of performance, 2 CFR 200.344 Closeout, program legislation, Federal awarding agency regulations; and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

Under 15 USC 9058a(e)(1), the period of performance for ERA 1 awards began on the date that the grantee executed the ERA 1 Award Terms and ended on December 31, 2021. 15 USC 9058a(h) extended the award period of performance from December 31, 2021, to September 30, 2022. Pursuant to 15 USC 9058a(e)(2), Treasury extended the award period of performance to end on December 29, 2022 for ERA 1 grantees that receive reallocated funds.

Under 15 USC 9058c(g), the period of performance for ERA 2 awards begins on the date that Treasury and the grantee executed the ERA 2 Award Terms and ends on September 30, 2025. All award funds not obligated or expended by the end of the period of performance date for ERA 1 and ERA 2 awards must be returned to Treasury as part of the award closeout process pursuant to 2 CFR 200.344(d), including amounts distributed through redirection and reallocation. See also the ERA 1 Closeout Resource at <https://home.treasury.gov/system/files/136/ERACloseoutResource_Final_9.16.22.pdf>.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether the Federal award was only charged for: (a) allowable costs incurred during the period of performance; or (b) costs incurred prior to the date the Federal award was made that were authorized by the Federal awarding agency or pass-through entity.

3. Determine whether financial obligations were liquidated within the required time period.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in the payroll and non-payroll Federal Testing Templates available on the Intranet.*1. Review the award documents and regulations pertaining to the program and determine any award-specific requirements related to the period of performance.*This step should be addressed when auditors tailor the “Additional Program Specific Information.”*\*2. For Federal awards with performance period beginning dates during the audit period, test transactions for costs recorded during the beginning of the period of performance and verify that the costs were not incurred prior to the start of the period of performance unless authorized by the Federal awarding agency or the pass-through entity.\*3. For Federal awards with performance period ending dates during the audit period, test transactions for costs recorded during the latter part and after the period of performance and verify that the costs had been incurred within the period of performance. \*4. For Federal awards with performance period ending dates during the audit period, test transactions for Federal award costs for which the obligation had not been liquidated (payment made) as of the end of the period of performance and verify that the liquidation occurred within the allowed time period.5. Test adjustments (e.g., manual journal entries) for Federal award costs and verify that these adjustments were for transactions that occurred during the period of performance. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## L. REPORTING

### OMB Compliance Requirements

*Financial Reporting*

Recipients must use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form) when reporting to the Federal awarding agency. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient’s accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of closed formats or on paper.

Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of available documentation.

The financial reporting requirements for subrecipients are as specified by the pass-through entity. In many cases, these will be the same as or similar to those for recipients.

The standard financial reporting forms for grants and cooperative agreements are as follows:

* *Request for Advance or Reimbursement (SF-270) (OMB No. 0348-0004))*. Recipients are required to use the SF-270 to request reimbursement payments under non-construction programs, and may be required to use it to request advance payments.
* *Outlay Report and Request for Reimbursement for Construction Programs (SF-271) (OMB No. 0348-0002))*. Recipients use the SF-271 to request funds for construction projects unless they are paid in advance or the SF-270 is used.
* *Federal Financial Report (FFR) (SF-425/SF-425A) (OMB No. 0348-0061)).* Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Electronic versions of the standard forms are located on agency’s home page.

Financial reporting requirements for cost reimbursement contracts subject to the Federal Acquisition Regulation (FAR) are contained in the terms and conditions of the contract.

*Performance and Special Reporting*

Non-Federal entities may be required to submit performance reports at least annually but not more frequently than quarterly, except in unusual circumstances, using a form or format authorized by OMB (2 CFR 200.329(c)(1)). They also may be required to submit special reports as required by the terms and conditions of the Federal award.

Compliance testing of performance and special reporting is only included in Part 4, “Agency Program Requirements” and Part 5, “Clusters of Programs,” if such reporting has been identified by a federal agency as subject to audit. Further, compliance testing of performance and special reports is only required for data, identified by agencies in parts 4 and 5 as key line items, that are quantifiable and are capable of evaluation against objective criteria stated in the statutes, regulations, contract or grant agreements pertaining to the program.

Performance and special reports in parts 4 and 5 are assumed to meet the above criteria. However, if an agency does not identify key line items for a performance or special report, auditors are only required to test that the report was submitted in a timely manner and no other procedures are required. Similarly, if key line items are identified in parts 4 and 5 that would not be quantifiable and capable of evaluation against objective criteria (e.g., narratives, futuristic information, information that would require verification at the program beneficiary level), auditors are not required to perform testing of such items.

**Federal Funding Accountability and Transparency Act** *– Not Applicable, See Part 4 OMB Program Specific Requirements*

For purposes of programs included in parts 4 and 5 of this Supplement, the designation “Not Applicable” in relation to “Financial Reporting,” “Performance Reporting,” and “Special Reporting” means that the auditor is not expected to audit anything in these categories, whether or not award terms and conditions may require such reporting.

**Source of Governing Requirements**

**Reporting requirements are contained in the following:**

1. Financial reporting, 2 CFR 200.328
2. Monitoring and reporting program performance, 2 CFR 200.329
3. Program legislation.
4. Transparency Act, implementing requirements in 2 CFR Part 170 and the FAR, and the previously listed OMB guidance documents.
5. Federal awarding agency regulations.
6. The terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

**1. Financial Reporting**

a. *SF-270, Request for Advance or Reimbursement* – Not Applicable

b. *SF-271, Outlay Report and Request for Reimbursement for Construction* Programs – Not Applicable

c. *SF-425, Federal Financial Report* – Applicable

*Treasury’s Emergency Rental Assistance Program Reporting Guidance (dated December 8, 2022) includes the following guidance:*

*The financial reporting component of the ERA Quarterly Report has been updated effective with the Quarter 1, 2022 report, to require Recipients to provide financial data directly into Treasury’s portal, rather than by uploading SF-425 forms as was required previously.*

**2. Performance Reporting**

Title of Report: ERA Compliance Report

PRA Number: 1505-0266 (ERA 1) and 1505-0270 (ERA 2)

Reporting Cycle: Quarterly

Authoritative Requirement: 15 USC 9058c; 2 CFR 200.328 (Financial report); and 2 CFR 200.329 (Performance report)

Blank Copy of the Report: <https://home.treasury.gov/system/files/136/ERA-Treasury-Portal-User-Guide-v2.pdf> (see figures 3-7 for screenshots of user guide)

Report Instructions: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program/reporting>

Report Corrections: The Office of Recovery Program’s (ORP) reporting portal has built-in functionality to reopen a report and allow recipients to make edits after the reporting deadline. However, it is ORP’s policy that recipients may only make revisions if authorized by Treasury staff for a period of up to 60 days after the reporting deadline. After the revision period ends, the report is final. A resubmitted report becomes a recipient’s final report within ORP’s reporting portal. Recipients can generate PDFs of these reports at any time.

*Key Line Items-*

1. *Administrative Costs Ratio*- Quantifiable Objective Criteria: Total obligations and/or expenditures for administrative costs does not exceed the relevant threshold of total allocation (10% across the prime and all subrecipients for ERA 1, not to exceed 15% for ERA 2 across the prime and all subrecipients)

(See [ERA Reporting Guidance](https://home.treasury.gov/system/files/136/ERA-Treasury-Portal-User-Guide-v2.pdf), Appendix 7, Applicable Limitations on Administrative Expenses, page 52)

2. *Housing Stability Services Ratio*- Quantifiable Objective Criteria: Total obligations and/or expenditures for housing stability services is not greater than 10% of the total amount allocated (See ERA Reporting Guidance, Appendix 7, Applicable Limitations on Administrative Expenses, page 52). Examples of these services can be found as item 23 on ages 12 and 13 of the July 27, 2022 FAQs located at <https://home.treasury.gov/system/files?file=136/ERA-FAQ-7.27.22.pdf>.

3. *System for Prioritizing Assistance*- Quantifiable Objective Criteria: The number of households with less than 50% Area Median Income (AMI) receiving financial assistance is greater than the number of households with greater than 50% AMI receiving assistance (See ERA Reporting Guidance, Section E, Number of Unique Participant Households at Certain Income Levels, page 27)

4. *Participant Households at Certain Income Levels Eligibility*- Quantifiable Objective Criteria: The total households receiving assistance is not greater than the sum of Area Median Income (AMI) banded eligible households with a 5 to 10% margin of error to avoid false positives for medium to large recipients. Treasury is aware of some limited temporary income data availability and reporting lag due to waterfall distribution models required within the statutory design framework and related administrative processing delays, as well as the use of fact-based proxies or assistance based on participation in other programs. Does not apply to tribal recipients exempt from income reporting according to Treasury guidance and policy (See ERA Reporting Guidance, Section E, Number of Unique Participant Households at Certain Income Levels, page 27)

**3. Special Reporting** – Not Applicable

**4. Special Reporting for Federal Funding Accountability and Transparency Act**

Although reporting on subaward information is applicable to ERA grantees pursuant to the award term set forth in Appendix A to 2 CFR Part 170, which is incorporated by reference in the ERA 1 and ERA 2 Award Terms, ERA grantees’ compliance with these reporting requirements is not subject to audit.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether required reports for federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| **OMB Note for Direct Awards Only**: For recipients using HHS’ Payment Management System (PMS) to draw Federal funds, the auditor should consider the following steps numbered 1 through 4 as they pertain to the cash reporting portion of the SF-425A, regardless of the source of the data included in the PMS reports. (During FY2016, HHS is completing the transition from pooled payment to use of subaccounts.) Although certain data is supplied by the Federal awarding agency (e.g., award authorization amounts) and certain amounts are provided by HHS’ Payment Management Services, the auditor should ensure that such amounts are in agreement with the recipient’s records and are otherwise accurate. |
| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*1. Review applicable statutes, regulations, and the terms and conditions of the Federal award pertaining to reporting requirements. Determine the types and frequency of required reports. Obtain and review Federal awarding agency or pass-through entity, in the case of a subrecipient, instructions for completing the reports.a. For financial reports, ascertain the accounting basis used in reporting the data (e.g., cash or accrual).b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.2. Select a sample of reports and perform appropriate analytical procedures and ascertain the reason for any unexpected differences. Examples of analytical procedures include:a. Comparing current period reports to prior period reports.b. Comparing anticipated results to the data included in the reports.c. Comparing information obtained during the audit of the financial statements to the reports.3. Select a sample of each of the following report types, and test for accuracy and completeness:a. *Financial reports*(1) Ascertain if the financial reports were prepared in accordance with the required accounting basis. (2) Review accounting records and ascertain if all applicable accounts were included in the sampled reports (e.g., program income, expenditure credits, loans, interest earned on Federal funds, and reserve funds).(3) Trace the amounts reported to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards and verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records. If reports require information on an accrual basis and the entity does not prepare its accounting records on an accrual basis, determine whether the reported information is supported by available documentation.(4) For any discrepancies noted in SF-425 reports concerning cash status when the advance payment method is used, review subsequent SF-425 reports to ascertain if the discrepancies were appropriately resolved with the applicable payment system.b. *Performance and special reports**Testing is only required for data identified by the federal agency as key line items in the Part 4 OMB Program Specific Requirements section above. If an agency does not identify key line items auditors are only required to test that the report was submitted in a timely manner. If the program is not included in Part 4 of the OMB Compliance Supplement, auditors will need to review the grant agreement to determine applicability.*(1) Review the supporting records and ascertain if all applicable data elements were included in the sampled reports. Trace the reported data to records that accumulate and summarize data.(2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.c. *Special reports for FFATA (Only applicable for direct recipients) – Not Applicable, See Part 4 OMB Program Specific Requirements*d. *For each type of report*(1) When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to the data.(2) Test mathematical accuracy of reports and supporting worksheets.4. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency, the applicable payment system, or pass-through entity in the case of a subrecipient. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## M. SUBRECIPIENT MONITORING

OMB Note: Transfers of Federal awards to another component of the same auditee under 2 CFR Part 200, Subpart F, do not constitute a subrecipient or contractor relationship.

### OMB Compliance Requirements

A pass-through entity (PTE) must:

- *Identify the Award* *and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR 200.331(b)). This evaluation of risk may include consideration of such factors as the following (see here for 2 CFR 200.332(b)-(f)):

1. The subrecipient’s prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR Part 200, Subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR 200.521.
* *Ensure Accountability of For-Profit Subrecipients* – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR Part 200 does not make Subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients for the subaward. The agreement with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits (2 CFR 200.501(h)).

**Source of Governing Requirements**

The requirements for subrecipient monitoring for the subaward are contained in 31 USC 7502(f)(2) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), 2 CFR 200.331, 200.332 and 200.501(h); Federal awarding agency regulations; and the terms and conditions of the award.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

No Part 4 OMB Program Specific Requirements

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

2. Determine whether the PTE identified the subaward and applicable requirements at the time of the subaward (or subsequent subaward modification) in the terms and conditions of the subaward and other award documents sufficient for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the Federal award.

3. Determine whether the PTE monitored subrecipient activities to provide reasonable assurance that the subrecipient administered the subaward in compliance with the terms and conditions of the subaward.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| **OMB Note**: The auditor may consider coordinating the tests related to subrecipients performed as part of C., “Cash Management” (tests of cash reporting submitted by subrecipients); E., “Eligibility” (tests that subawards were made only to eligible subrecipients); I., “Procurement and Suspension and Debarment” (tests of ensuring that a subrecipient is not suspended or debarred), and L, “Reporting (tests of performance data reported to funding sources) with the testing of “Subrecipient Monitoring.” |
| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)****AOS Auditors:*** *Steps marked with an asterisk (\*) are addressed via the attributes in subrecipient monitoring Federal Testing Template available on the Intranet.*1. Review the pass-through entity’s (PTE’s) subrecipient monitoring policies and procedures to gain an understanding of the PTE’s process to identify subawards, evaluate risk of noncompliance, and perform monitoring procedures based upon identified risks.

**\***2. Review subaward documents including the terms and conditions of the subaward to ascertain if, at the time of subaward (or subsequent subaward modification), the PTE made the subrecipient aware of the award information required by 2 CFR 200.332(a) sufficient for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the award.**\***3. Review the PTE’s documentation of monitoring the subaward and consider if the PTE’s monitoring provided reasonable assurance that the subrecipient used the subaward for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. **\***4. Ascertain if the PTE verified that subrecipients expected to be audited as required by 2 CFR Part 200, Subpart F, met this requirement (2 CFR 200.332(f)). This verification may be performed as part of the required monitoring under 2 CFR 200.332(d)(2) to ensure that the subrecipient takes timely and appropriate action on deficiencies detected though audits. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies, and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## N. SPECIAL TESTS AND PROVISIONS – ERA 1 FUNDS REDIRECTION

### OMB Compliance Requirements

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are in Part 4, “Agency Program Requirements.” or Part 5. “Clusters of Programs.” For programs not included in this Supplement, the auditor must review the program’s contract and grant agreements and referenced statutes and regulations to identify the compliance requirements and develop the audit objectives and audit procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, both for programs included and not included in this Supplement, the auditor must identify any additional compliance requirements which are not based in statute or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on compliance with the requirements of that major program shall be included in the audit.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

Pursuant to 15 USC 9058a(b)(1)(A) and Treasury’s implementing instructions to requesting grantees, grantees are permitted to redirect ERA 1 funds when a locality receives an ERA 1 award and subsequently transfers 100 percent of the ERA 1 award funds received from Treasury to its eligible state and Treasury approves the transaction. The redirection of award funds is finalized when the locality has submitted the relevant redirection documentation to Treasury and Treasury has provided confirmation of acceptance. At that time, the locality’s ERA 1 award is cancelled, and the locality has no further legal obligation to Treasury under the ERA 1 award.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

*(Source: 2023 OMB Compliance Supplement Part 3)*

1. The state’s ERA 1 award is modified by the amount of the funds transferred from the local government to the state and the state is responsible as the grantee for reporting on the use of the transferred award funds that become subject to the requirements set forth in the Award Terms previously accepted by the state in connection with its ERA 1 award. A local government that has redirected 100 percent of its ERA 1 award funds to its state but has not submitted the relevant redirection documentation to Treasury or is still awaiting confirmation of acceptance of submitted documentation by Treasury, is still responsible for complying with the ERA 1 Award Terms, including submitting Monthly and Quarterly reports until their redirection forms were submitted and accepted by Treasury.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

**Control Documentation and Testing**

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| --- |
| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| --- |
| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*(1) All voluntarily redirected ERA 1 award funds were approved by the grantee’s authorizing official in accordance with Treasury guidance;(2) All redirected ERA 1 award funds were deposited to the official, authorized bank account of the receiving grantee, as approved by Treasury; and(3) All ERA 1 award funds received through the redirection process are used in accordance with the ERA 1 Award Terms. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## N. SPECIAL TESTS AND PROVISIONS – ERA FUNDS REALLOCATION

### OMB Compliance Requirements

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are in Part 4, “Agency Program Requirements.” or Part 5. “Clusters of Programs.” For programs not included in this Supplement, the auditor must review the program’s contract and grant agreements and referenced statutes and regulations to identify the compliance requirements and develop the audit objectives and audit procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, both for programs included and not included in this Supplement, the auditor must identify any additional compliance requirements which are not based in statute or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on compliance with the requirements of that major program shall be included in the audit.

*(Source: 2023 OMB Compliance Supplement Part 3)*

**Part 4 OMB Program Specific Requirements**

Pursuant to 15 USC 9058a(d), Treasury is required to reallocate “excess” ERA 1 award funds. Treasury’s objective in reallocations is to ensure ERA 1 award funds remain available to grantees in accordance with their jurisdictional needs and demonstrated capacity to deliver assistance while the ERA appropriations remain available. Treasury’s ERA 1 reallocation guidance on Treasury.gov and previewed [here](https://home.treasury.gov/system/files/136/UpdatedERA1ReallocationGuidanceSep6.pdf) describes how grantees that have expenditure ratios below designated thresholds as of September 30, 2021, were subject to involuntary recapture, in the absence of mitigating actions, requiring the grantee to return funds to Treasury within the provided timeframes. Treasury continues to periodically assess expenditures using escalating expenditure benchmarks to identify excess funds. For the first assessment using data as of September 30, 2021, grantees could mitigate the impact of recapture by submitting a certification that the grantee’s financial assistance activity had since increased to a level beyond the minimum threshold, committing to a voluntary reallocation, or by providing a Performance Improvement Plan. Treasury’s reallocation guidance on Treasury.gov will continue to detail specific ERA reallocation timelines. The guidance also describes the voluntary reallocation process through which a grantee may request that Treasury reallocate its ERA 1 award funds to other ERA 1 grantees in the same state. Treasury is not recapturing funds from Indian Tribes or Tribally Designated Housing Entities (TDHEs) prior to the end of the second quarter of 2022, except where a Tribal grantee, its TDHE, or housing authority voluntarily return funds to Treasury. Auditors should refer to the ERA 1 reallocation guidance at [www.treasury.gov/era](http://www.treasury.gov/era). Guidance for ERA 2 reallocation can also be found on this site.

Updated information regarding ERA 2 reallocation was posted as an update to Reallocation Guidance in March 2022.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

### Additional Program Specific Information

**Add program specific requirements from:**

* **The individual grant application, agreement, and policies,**
* **The pass-through agency, and**
* **Federal agency guidance not included in the compliance supplement (such as federal agency grant manuals, references to CFR, etc.)**

**Be sure to indicate the source of your information. If no additional requirements are noted, indicate as such.**

### Audit Objectives and Control Testing

**Audit Objectives**

1. Obtain an understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

*(Source: 2023 OMB Compliance Supplement Part 3)*

1. The reallocation expenditure ratio determines whether the grantee is subject to involuntary reallocation due to an insufficient ratio and the amount of excess funds subject to recapture by Treasury. Auditors should confirm the amounts reported as expended and obligated accurately capture the grantee’s housing activity at the time of submission, as reflected in a grantee’s award and/or financial systems, and that grantees receiving reallocated funds met the Treasury criteria.

*(Source: 2023 OMB Compliance Supplement, Part 4, Treasury, Emergency Rental Assistance Program)*

**Control Documentation and Testing**

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| *Auditors should clearly document what control procedures address the compliance requirement. Reference or link to documentation or where testing was performed.***Basis for the control** *(Ex. reports, resources, etc. providing information needed to understand requirements and prevent or identify and correct errors)*:**Control Procedure** *(Description of how auditee uses the “Basis” to prevent, or identify and correct or detect errors)*:**Person(s) responsible for performing the control procedure** *(Title)*:**Description of evidence documenting the control was applied** *(i.e. sampling unit)*: |

### Suggested Substantive Audit Procedures – Compliance

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| Consider the results of control testing above in assessing the risk of noncompliance. Use this as the basis for determining the nature, timing, and extent (e.g., number of transactions to be selected) of substantive tests of compliance.*(Source: 2023 OMB Compliance Supplement Part 3)*a. Confirm that financial information certified by grantees used by Treasury to make reallocation determinations is accurate and that excess funds that are subject to involuntary recapture are returned to Treasury in accordance with Treasury’s confirmation letter.b. Financial information certified as part of reallocation includes monthly expenditure and cumulative obligations levels, as described in the Treasury reallocation guidance.c. ERA 1 expenditures reported monthly by the grantee are inputs to Treasury’s reallocation expenditure ratio.d. ERA 1 obligations certified in the Request for Reallocated Funds form (1505- 0266), including in the Request for Voluntarily Reallocated Funds, are inputs into determining eligibility to receive reallocated funds.e. ERA 2 expenditures and obligations reported in quarterly reports by the grantee are inputs to Treasury’s ERA 2 reallocation expenditure and obligation ratios. |

### Audit Implications Summary

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| *Consider the adequacy of the system and controls, and the effect on sample size, significant deficiencies/material weaknesses, material non-compliance and management letter comments.**Auditors should review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*1. **Results of Test of Controls:** *(including material weaknesses, significant deficiencies and management letter items)*
2. **Assessment of Control Risk:**
3. **Effect on the Nature, Timing, and Extent of Compliance (Substantive Test) including Sample Size:**
4. **Results of Compliance (Substantive Tests) Tests:**
5. **Questioned Costs: Actual \_\_\_\_\_\_\_\_\_\_ Projected \_\_\_\_\_\_\_\_\_\_**
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## Program Testing Conclusion

We have performed procedures sufficient to provide reasonable assurance for federal award program compliance requirements (to support our opinions). The procedures performed, relevant evidence obtained, and our conclusions are adequately documented. (If you are unable to conclude, prepare a memo documenting your reason and the implications for the engagement, including the audit reports.)

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| **Conclusion** |
| **The opinion on this major program should be:** |  |
| **Unmodified:** |  |
| **Qualified (describe):** |  |
| **Adverse (describe):** |  |
| **Disclaimer (describe):** |  |

Per paragraph 13.39 of the **AICPA Single Audit Guide**, the **following are required to be reported** as audit findings in the federal awards section of the schedule of findings and questioned costs **(2 CFR 200.516):**

1. Significant deficiencies and material weaknesses in internal control over major programs.
2. Material noncompliance with the federal statues, regulations, or the terms and conditions of federal awards related to a major program.
3. Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. The auditor also must report (in the schedule of findings and questioned costs) known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program.
4. Known questioned costs that are greater than $25,000 for programs that are not audited as major.
5. Known or likely fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs.
6. Significant instances of abuse relating to major programs.
7. The circumstances concerning why the opinion in the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs (for example, a scope limitation that is not otherwise reported as a finding).
8. Instances in which the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with 2 CFR 200.511(b) of the Uniform Guidance, materially misrepresents the status of any prior audit finding.

[Appendix I](2_CFR_Part_200.pdf) lists block grants and other programs excluded from the requirements of specified portions of 2 CFR Part 200.

*Auditors must review the Federal agency adoption of the Uniform Guidance (2 CFR Part 200) and nonprocurement suspension and debarment requirements (2 CFR Part 180) prior to issuing noncompliance citations to verify the Federal agency requirements. Auditors should also review this* [*link*](Agency_Adoption_of_the_UG_and_Example_Citations.pdf) *for a discussion on how to cite non-compliance exceptions based on agency adoption of the UG.*

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| **Cross-reference to internal control matters (significant deficiencies or material weaknesses), if any, documented in the FACCR:** |
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| **Cross-reference to questioned costs and matter of noncompliance, if any, documented in this FACCR:** |
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**Per paragraph 13.50 of the AICPA Single Audit Guide,** the schedule of findings and questioned costs must include all audit findings required to be reported under the Uniform Guidance. A separate written communication (such as a communication sometimes referred to as a management letter) may not be used to communicate such matters to the auditee in lieu of reporting them as audit findings in accordance with the Uniform Guidance. See the discussion beginning at paragraph 13.34 for information on Uniform Guidance requirements for the schedule of findings and questioned costs. If there are other matters that do not meet the Uniform Guidance requirements for reporting but, in the auditor's judgment, warrant the attention those charged with governance, they should be communicated in writing or verbally. If such a communication is provided in writing to the auditee, there is no requirement for that communication to be referenced in the Uniform Guidance compliance report. Per table 13-2 **a matter must meet the following in order to be communicated in the management letter:**

* Other deficiencies in internal control over compliance that are not significant deficiencies or material weaknesses required to be reported but, in the auditor's judgment, are of sufficient importance to be communicated to management.
* Noncompliance with federal statutes, regulations or terms and conditions of federal awards related to a major program that does not meet the criteria for reporting under the Uniform Guidance but, in the auditor's judgment, is of sufficient importance to communicate to management or those charged with governance.
* Other findings or issues arising from the compliance audit that are not otherwise required to be reported but are, in the auditor's professional judgment, significant and relevant to those charged with governance.

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| **Cross-reference to any Management Letter items and explain why not included in the Single Audit Compliance Report:** |
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