

Impact of Delinquent Single Audits

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Agenda

- **Single Audit Uniform Federal Requirements**
 - What does the single audit examine?
 - Who must complete the single audit?
 - Where do you need to submit the single audit?
 - When do you need to submit the single audit?
 - Why is the single audit important?
- **Delinquent Single Audit Follow-up Procedures**
- **Consequences of Delinquent Single Audits**
- **Proactive Single Audit Monitoring Procedures**
- **Best Practices for Timely Single Audit Filing**
- **Frequently Asked Questions**



Single Audit Uniform Federal Requirements

What does the Single Audit examine?

45 CFR § 75.514

The single audit examines a grant recipient's:

- Financial Statements;
- Internal Controls; and
- Compliance of its major federal programs with federal statutes, regulations, and award terms and conditions.



Single Audit Uniform Federal Requirements (Cont.)

Who must complete a Single Audit?

Non-Federal Entity:

45 CFR §75.501(a)

Generally, a grant recipient* that expends \$750,000 or more during any fiscal year (FY) in Federal awards must have a single audit.

*Includes state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.

Remember, for grant recipients the single audit is based on federal expenditures NOT awards.



Single Audit Uniform Federal Requirements (Cont.)

Commercial Organizations:

45 CFR §75.501(i)

Recipients and subrecipients that are **commercial organizations** (including for-profit hospitals) have two options regarding audits if federal awards are \$750,000 or more in any FY:

1. A commercial grant recipient of HHS, may have a program-specific audit under the Uniform Guidance under certain conditions:
 - If all award expenditures were under one program (one Assistance Listing) **OR** If the awards can legitimately be clustered as Research and Development (R&D)
 - AND**
 - If the company is not otherwise required to have a full financial (organization-wide) audit.
2. If the commercial grant recipient does not qualify for a program specific audit, then a single audit must be performed.

Remember for commercial organizations, an audit is based on federal awards NOT expenditures.



Single Audit Uniform Federal Requirements (Cont.)

Exemptions from Single Audit:

45 CFR §75.501(d) and (j)

- Grant recipients with less than \$750,000 in **federal expenditures** during FY.
- Commercial organizations that receive less than \$750,000 in federal awards during FY.
- Some federal awards are exempt from the Single Audit. Please review your grant award terms to determine if your award is exempt from the single audit.

Examples of Exempt HRSA Programs:

- Assistance Listing 93.530 - *Teaching Health Center Graduate Medical Education Payment Program*
- Assistance Listing 93.255 - *Children's Hospitals Graduate Medical Education Payment Program*



Single Audit Uniform Federal Requirements (Cont.)

Where do you need to submit the Single Audit Report (SAR)?

45 CFR § 75.512(d)

The grant recipient must electronically submit to the **Federal Audit Clearinghouse (FAC)** the SAR which is comprised of two parts:

1. Data collection form (**Form SF-SAC**)
2. Reporting package which includes:
 - Financial Statements and Schedule of Expenditures of Federal Awards (SEFA);
 - Summary Schedule of Prior Audit Findings;
 - Auditor's Report; and
 - Corrective Action Plan



Single Audit Uniform Federal Requirements (Cont.)

When do you need to submit the SAR?

45 CFR § 75.512(a)

The SAR must be submitted to the FAC **within the earlier of 30 calendar days** after receipt of the auditor's report, **OR 9 months** after your FY end.

Example 1: If a grant recipient's FY end is December 31, 2019, the FY 2019 SAR must be submitted to the FAC by September 30, 2020 (**at the latest**). However, if the grant recipient receives the audit report by March 1, 2020, then it should submit the SAR to the FAC within 30 calendar days.



Single Audit Uniform Federal Requirements (Cont.)

When do you need to submit the SAR?

Question 1: If a grant recipient's FY end is January 31, 2019, what is the latest possible date the recipient can submit their FY 2019 SAR to the FAC?

Single Audit Uniform Federal Requirements (Cont.)

When do you need to submit the SAR?

Question 1: If a grant recipient's FY end is January 31, 2019, what is the latest possible date the recipient can submit their FY 2019 SAR to the FAC?

Answer: 9 months after the FY end or, in this case, October 31, 2019.

Single Audit Uniform Federal Requirements (Cont.)

When do you need to submit the SAR?

Question 2: If a grant recipient's FY end is March 31, 2019, but the recipient receives the FY 2019 SAR from its auditor on June 1, 2019, when should the recipient submit the SAR to the FAC?

Single Audit Uniform Federal Requirements (Cont.)

When do you need to submit the SAR?

Question 2: If a grant recipient's FY end is March 31, 2019, but the recipient receives the FY 2019 SAR from its auditor on June 1, 2019, when should the recipient submit the SAR to the FAC?

Answer: Within 30 calendar days of receipt of the audit report which, in this case, would be by July 1, 2019. The recipient should not wait until 9 months after its FY end to submit the report to the FAC.



Single Audit Uniform Federal Requirements (Cont.)

When do you need to submit the SAR?

Question 3: A grant recipient's SAR is not received within 9 months after its FY end, but the audit is currently in process. When should the recipient submit the report?

Single Audit Uniform Federal Requirements (Cont.)

When do you need to submit the SAR?

Question 3: A grant recipient's SAR is not received within 9 months after its FY end, but the audit is currently in process. When should the recipient submit the report?

Answer: At this point the report is delinquent, therefore, the SAR should be submitted as soon as the recipient receives the report!



Single Audit Uniform Federal Requirements (Cont.)

Why is the Single Audit Important?

- The single audit is a federal requirement.
- The single audit serves as the single most important way for the federal government to assess the financial health of your organization and your organization's ability to manage federal awards.
- If you are delinquent in submitting your single audit, HRSA is required to follow up with your organization and to ensure that the delinquent single audit is resolved per 45 CFR § 75.513(c)(1).



Delinquent Single Audit Follow-up Procedures

- For each calendar year, the Department of Health and Human Services (DHHS) sends a list of organizations to the primary funding agency that are **delinquent** in submitting their single audit to the FAC.
- The primary funding agency must encourage grant recipients to complete and submit their single audit reports through follow-up activities and imposing “further action” when necessary.
- The primary funding agency must report the status of delinquent single audits that are on the list to DHHS every subsequent quarter until resolved.



Delinquent Single Audit Follow-up Procedures (Cont.)

What defines delinquent? If your SAR package (data collection form + reporting package) is NOT ACCEPTED in the FAC database, it is delinquent.



<u>Auditee EIN</u>	<u>Auditee Name</u>	<u>City</u>	<u>State</u>	<u>Fiscal Year End Date</u>	<u>FAC Accepted Date</u>
530242652	THE NATURE CONSERVANCY	ARLINGTON	VA	06/30/2018	01/02/2019
530242652	THE NATURE CONSERVANCY	ARLINGTON	VA	06/30/2017	01/11/2018
530242652	THE NATURE CONSERVANCY	ARLINGTON	VA	06/30/2016	01/19/2017
530242652	THE NATURE CONSERVANCY	ARLINGTON	VA	06/30/2015	01/19/2016
530242652	THE NATURE CONSERVANCY	ARLINGTON	VA	06/30/2014	12/19/2014
530242652	THE NATURE CONSERVANCY	ARLINGTON	VA	06/30/2013	02/21/2014
530242652	THE NATURE CONSERVANCY	ARLINGTON	VA	06/30/2012	01/07/2013
530242652	THE NATURE CONSERVANCY	ARLINGTON	VA	06/30/2011	12/12/2011



Delinquent Single Audit Follow-up Procedures (Cont.)

What happens if your organization is on the DHHS delinquent single audit list?

1. HRSA will send out an initial notification to your organization requesting the **completed SAR** be submitted to the FAC. If the single audit report is not complete, the notification will include a request for a **signed audit engagement letter** and **estimated submission date** of the SAR to the FAC. HRSA generally provides **14 calendar days** from the date of the initial notification for grant recipients to respond.



Delinquent Single Audit Follow-up Procedures (Cont.)

Example HRSA Initial Notification Letter:

The purpose of this email is to notify you that, according to our records, your organization has failed to submit its Single Audit Report (SAR) for FY 2017 prior to the applicable deadline. As of January 2, 2019, there is no record that the Federal Audit Clearinghouse (FAC) has received the SAR from your organization.

If you believe this information is in error, please provide documentation demonstrating that your organization's SAR was submitted to the FAC. If your organization is in the process of completing the single audit, please provide the following items to HRSA:

1. A copy of the signed audit engagement letter demonstrating that your organization has engaged an independent auditor to perform the required audit;
2. Documentation showing, in consultation with your auditor, the date your organization plans to submit its FY 2017 single audit to the FAC.

Please scan and email these items to SARfollowup@hrsa.gov by **January 16, 2019**.

Failure to submit your SAR to the FAC by the audit completion date specified above or failure to respond to this notification by **January 16, 2019** may result in future actions in accordance with 45 CFR 75.371, including a change in your drawdown status to **reimbursable drawdown** in the Payment Management System (PMS) or a **temporary freeze** on all PMS drawdowns.

Thank you in advance for your cooperation.

SARfollowup@hrsa.gov



Delinquent Single Audit Follow-up Procedures (Cont.)

What happens if your organization is on the HHS delinquent single audit list?

2. If your organization does not respond to the initial notification by the requested due date, HRSA will send follow-up notifications to your organization.

3. If your organization:
 - does not respond to HRSA's request after the third notification; or
 - **missed the estimated FAC submission date that was provided to HRSA**, HRSA may take further action in accordance with 45 CFR § 75.371.



Consequences of Delinquent Single Audit(s)

Further Actions HRSA may take due to Delinquent Single Audit(s):

- Draw-down restriction
- Reimbursable draw-down
- Withholding a percentage of federal funds
- Suspending federal funds
- Termination of grant

Remember: Lack of response to HRSA's notifications and/or repeated delays in submission of the SAR to the FAC will likely result in further action.



HRSA's Proactive Monitoring

- **Quarterly Reminders:**

- An Electronic Handbook (EHB) email notification is sent to **ALL** HRSA grant recipients with active grants as a reminder to submit their single audits, if applicable.
- Receipt of this notification is only a **reminder** and is **NOT** an indication that your organization is required to have an audit completed or is delinquent in completing an audit and submitting the report to the FAC or HRSA.
- A quarterly banner will also be displayed in EHB as a reminder to submit your SAR to the FAC.

No response is required.



HRSA's Proactive Monitoring (Cont.)

Example HRSA Quarterly Reminder Email:

Dear Grant Recipient Official:

State, local government, and non-profit grant recipients that expend \$750,000 or more in federal awards in a fiscal year (FY) must have a single audit conducted in accordance with 45 CFR Part 75, Subpart F and submit the related audit reports to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditors' reports or 9 months after the end of the audit periods. (See 45 CFR § 75.501(b) @ <https://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75#sp45.1.75.f>) State, local government, and non-profit grant recipients that expend less than \$750,000 in federal awards in a FY are not required to have single audits.

For-profit grant recipients that receive \$750,000 or more in federal awards from HHS in a FY must also have an audit that meets the requirements of 45 CFR Part 75, Subpart F and submit the related audit reports to HRSA within the earlier of 30 days after receipt of the auditors' reports or 9 months after the end of the audit periods. (See 45 CFR § 75.501(i) @ <https://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75#sp45.1.75.f>) For-profit grant recipients that receive less than \$750,000 in federal awards from HHS in a FY are exempt from this requirement.

Please note that this reminder email was sent to all HRSA grant recipients with active grants. Receipt of this email is not an indication that your organization was required to have an audit completed or is delinquent in completing an audit and submitting the related report to the FAC or HRSA.



HRSA's Proactive Monitoring (Cont.)

Example HRSA Quarterly EHB Banner:

“Reminder: Recipients expending \$750,000 or more in federal awards during their fiscal years must have audits completed in accordance with 45 CFR Part 75, Subpart F and submit the related audit reports to the Federal Audit Clearinghouse within the earlier of 30 days after receipt from the auditors or nine months after the end of the audit periods.”



HRSA's Proactive Monitoring (Cont.)

- **Delinquent Single Audit Notifications:**
 - A delinquent notification will be sent to your organization if it is nine months past your FY end and no audit has been accepted by the FAC.
 - The notification will request a copy of the engagement letter from the auditor and that the estimated FAC submission date be identified. (notification example is shown on slide 19).
- **Follow-up Phone-Calls/Emails to Grant Recipients**
- **Responding to questions submitted to email box SARFollowup@hrsa.gov**



Best Practices for Timely Single Audit Filing

- Be aware of your SAR deadlines.
 - Submit the SAR package to the FAC as soon as the audit is complete.
 - Do not wait until nine months past your FY end to submit the audit report.
 - Pay attention to HRSA's quarterly reminders.
- Procure an auditor early! Consider a multi-year engagement to avoid searching for an auditor each year; however, a best practice would be to change auditors every 3-5 years.
- Keep books and records in order to ensure an efficient audit process and to avoid increased testing which may result in delays.
- Make timely corrections to any FAC submission errors. Contact your auditor immediately to resolve FAC submission issues.
- If you know your organization will be late in submitting your single audit, let HRSA know in advance! Send an email to SARFollowup@hrsa.gov.



Best Practices for Timely Single Audit Filing

Other Best Practices for Timely Single Audit Filing? Please share!



Frequently Asked Questions

**I have never submitted a single audit through the FAC before.
What should I do?**



Frequently Asked Questions

I have never submitted a single audit through the FAC before. What should I do?

You will need to establish a new account with the FAC in order to submit your audit report. Please direct all questions regarding account set-up and electronic submission of the SAR to the FAC. See resources below:

- First-Time Users: Create an Account - <https://harvester.census.gov/facides/Account/Login.aspx>
- Quick Guide Reference - <https://harvester.census.gov/facides/Files/Quick%20Reference%20Guide.pdf>
- Form SF-SAC Worksheet & Single Audit Component Checklist - https://harvester.census.gov/facides/Files/2015_2018%20Checklist%20Instructions%20and%20Form.pdf
- Frequently Asked Questions - <https://harvester.census.gov/facweb/FAQs.aspx>
- Contact FAC by email - <https://harvester.census.gov/facweb/SAContacts.aspx>
- Contact FAC phone - (866) 306-8779



Frequently Asked Questions (Cont.)

I already submitted my single audit to the FAC. Why did I receive a notification that my organization is delinquent?

Frequently Asked Questions (Cont.)

I already submitted my single audit to the FAC. Why did I receive a notification that my organization is delinquent?

Remember that your single audit is not considered received until the SAR is **ACCEPTED** in the FAC database. Check the FAC database again to see if there is an acceptance date for your SAR. If it has not been accepted, contact your auditor to determine if there are missing certifications or other technical issues. Finally, contact the FAC to determine why the audit was not accepted.

Frequently Asked Questions (Cont.)

My organization did not expend more than the single audit threshold and I received a notification that I am delinquent on the single audit. What do I need to do?

Frequently Asked Questions (Cont.)

My organization did not expend more than the single audit threshold and I received a notification that I am delinquent on the single audit. What do I need to do?

Please provide HRSA your organization's actual total federal expenditures under federal awards for the FY in question and include as an attachment supporting documentation from your organization's accounting system. This information should specifically identify the federal expenditures by each Assistance Listing, which is identified in the notices of award for each grant. Send this information to SARfollowup@hrsa.gov.



Frequently Asked Questions (Cont.)

My organization is a for-profit and we received a notification that we are delinquent on a single audit. I thought we were not required to have and submit a SAR. What should I do?

Frequently Asked Questions (Cont.)

My organization is a for-profit and we received a notification that we are delinquent on a single audit. I thought we were not required to have and submit a SAR. What should I do?

If your organization is a for-profit, you must still complete either a program specific audit (if your organization qualifies) or a single audit if your **federal awards** for the FY totaled \$750,000 or more. Upon completion of the audit, please submit a copy of the report to HRSA by email at SARfollowup@hrsa.gov.



Frequently Asked Questions (Cont.)

I would like to request an extension to the due date of my single audit. Can HRSA approve my request for extension?

Frequently Asked Questions (Cont.)

I would like to request an extension to the due date of my single audit. Can HRSA approve my request for extension?

HRSA does not have the authority to approve extensions for single audits that are delinquent. The Office of Management and Budget (OMB) has the sole authority to grant single audit extensions; however, OMB will only grant extensions under special circumstances such as when there is a natural disaster in a particular area. HRSA may only notify your organization that the single audit is delinquent and take further action if your organization does not resolve the issue in a timely manner.

Frequently Asked Questions (Cont.)

My organization is a state college or university. Do I need to have a separate single audit?



Frequently Asked Questions (Cont.)

My organization is a state college or university. Do I need to have a separate single audit?

No, if your organization is covered by the state's single audit, then you do not need to obtain a separate single audit.

Frequently Asked Questions (Cont.)

Do I need to submit my SAR to both the FAC and in EHB?



Frequently Asked Questions (Cont.)

Do I need to submit my SAR to both the FAC and in EHB?

You are only required to submit your single audit package to the FAC.

Frequently Asked Questions (Cont.)

I am having trouble submitting my single audit electronically to the FAC. What should I do?



Frequently Asked Questions (Cont.)

I am having trouble submitting my single audit electronically to the FAC. What should I do?

Please work with your auditor and contact the FAC directly to resolve any technical issues.

- Contact FAC phone: (866) 306-8779
- Contact FAC by email - <https://harvester.census.gov/facweb/SAContacts.aspx>
- Frequently Asked Questions - <https://harvester.census.gov/facweb/FAQs.aspx>

Questions?



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