



# Single audit and regulatory update

May 22, 2024

CONFIDENTIAL



# Today's facilitator



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# Topics

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**01**

# **Uniform Guidance – 2024 Revisions**

# Uniform Guidance – 2024 Revisions

- February 15, 2024 – OMB launched the Federal Program Inventory (FPI)
- **April 4, 2024 – OMB published revised guidance Title 2 of the Code of Federal Regulations (CFR)**
- **April 22, 2024 – Federal Register issued**
- May 15, 2024 – all federal agencies must submit to OMB their plan for implementing the 2024 revisions
- June 1, 2024 – all federal agencies must identify the Assistance Listings associated with each program reported under the Payment Integrity Information Act of 2019
- **October 1, 2024 – Federal agencies must take appropriate steps to ensure the revisions are effective for all federal awards issued on or after this date \***
- November 15, 2024 – federal agencies must complete an initial assessment of their current Assistance Listings and their plan to work toward establishing a single Assistance Listing

\* Early implementation is permissible





# Uniform Guidance – 2024 Revisions (continued)



30046

Federal Register / Vol. 89, No. 78 / Monday, April 22, 2024 / Rules and Regulations

**DATES:** The effective date for the final guidance is October 1, 2024. Federal agencies may elect to apply the final guidance to Federal awards issued prior to October 1, 2024, but they are not required to do so. For agencies applying the final guidance before October 1, 2024, the effective date of the final guidance must be no earlier than June 21, 2024.

Unclear when changes to Subpart F are effective

# Uniform Guidance – 2024 Revisions (continued)

- An increase to the Single Audit threshold from \$750,000 to \$1,000,000
- An increase in the Type A threshold:

Total Federal awards expended	Type A threshold
\$1 million - \$34 million	\$1 million
\$34 million - \$100 million	Total Federal awards expended times 0.03
\$100 million - \$1 billion	\$3 million
\$1 billion - \$10 billion	Total Federal awards expended times 0.003
\$10 billion - \$20 billion	\$30 million
Exceed \$20 billion	Total Federal awards expended times 0.0015



# Uniform Guidance – 2024 Revisions (continued)

- An increase to the threshold used to define a capital expenditure (e.g., real property or equipment) from \$5,000 to \$10,000.
- A change to the de minimis indirect cost rate percentage from 10% to “up to 15%”.
- Eliminates the requirement that all indirect rates be publicly available on a government-wide website.
- An increase to the exclusion threshold of subawards from \$25,000 to \$50,000 under modified total direct costs.





# Uniform Guidance – 2024 Revisions (continued)

- In section 200.407, OMB has removed nine items from the prior written approval requirements to reduce Federal agency and recipient burden. The items removed:
  - § 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b)(5);
  - § 200.311 Real property;
  - § 200.313 Equipment;
  - § 200.413 Direct costs, paragraph (c);
  - § 200.438 Entertainment costs;
  - § 200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);
  - § 200.456 Participant support costs;
  - § 200.467 Selling and marketing costs;
  - § 200.470 Taxes (including Value Added Tax).



# Uniform Guidance - 2024 Revisions (continued)

- Recipients may provide subawards based on fixed amounts up to \$500,000
- Removed requirement to open sealed bids in public for Indian Tribes only
- Provides allowability for charging administrative costs associated with the close-out activities of the award where previously it was not clear how recipients would cover these costs.
- Eliminates the requirement for institutions of higher education to maintain and submit a disclosure statement (DS-2) if receiving over \$50M in Federal awards.
- Cognizant or oversight agency may authorize an extension for single audit submission if nine-month timeframe would place an undue burden on auditee



**02**

# **Internal Controls**

# Controls

- **Per 2 CFR 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.**
- **The Uniform Guidance also requires us to report (not opine) in writing on the scope of testing of internal control over major programs and the results of those tests.**
- **Consider both manual and automated controls. Determine if you are relying on any reports out the system for your control activities.**
- **Establish written policies and procedures for each of the compliance areas for which the auditors will then audit against your established policies (assuming they are in accordance with UG). Make sure these policies are accessible to all departments and functions.**

# Controls (continued)

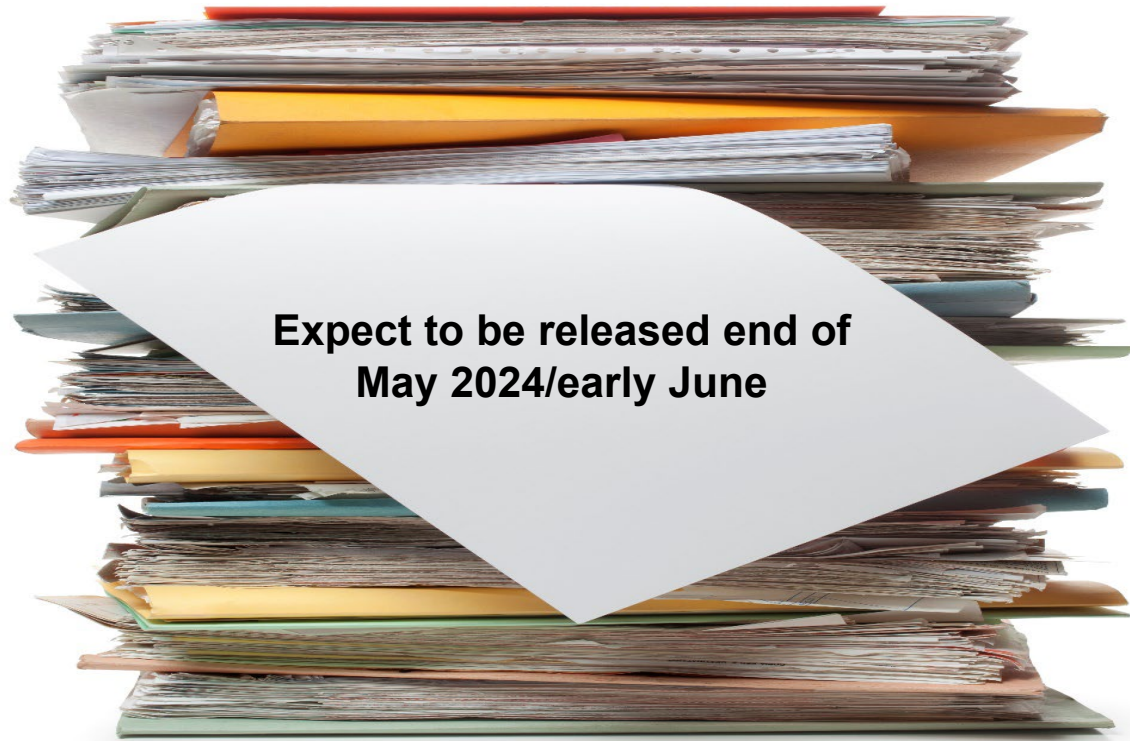
- **Consider the training that is available to employees. Most often there should be a technical individual and financial individual involved with each control. Control documentation requires control owner “knowledge assessment”.**
- **For each compliance requirement, should have at least one control. However, when only one control, the control will need to be more precise.**
- **Ideally, controls should be preventative in nature.**
- **Controls must be documented and auditable**
- **Consider new funding received/new programs – will need to have controls in place to address new and changing compliance requirements**
- **Completeness over Schedule of Expenditures of Federal Awards (SEFA)**

**03**

# **2024 Compliance Supplement**



# 2024 Compliance Supplement



**04**

# **Reminder - Changes to the Gramm-Leach Bliley Act Safeguards Rule**

# Reminder - Changes to the Gramm-Leach Bliley Act (GLBA) safeguards rule

The GLBA regulates the collection, disclosure and protection of consumers' nonpublic information. Higher education institutions are subject to the Safeguards Rule in 16 CFR Part 314, under which the GLBA applies to program participation agreements with the U.S. Department of Education for federal student aid. Accordingly, institutions must have an information security program and policies for handling and protecting data covered by the law. Several key changes to the Safeguards Rule became effective June 9, 2023 and are discussed below.

## Key changes include:

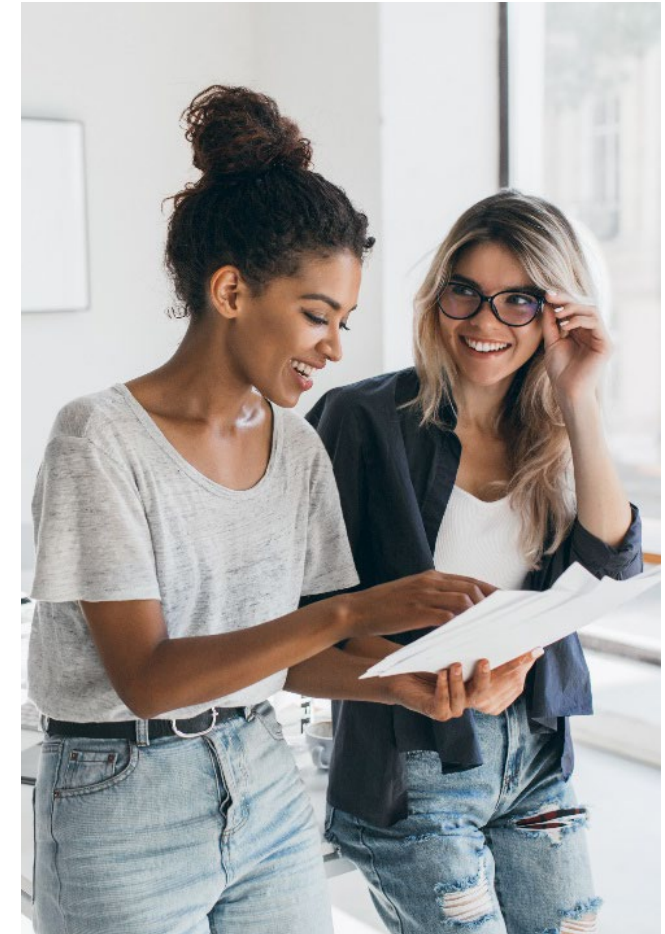
- **Qualified Individual (16 CFR 314.4(a)):** Requires a single “Qualified Individual” be designated to oversee, implement, and enforce the institution’s information security program (ISP). This individual would typically be the chief information security officer. However, it may be an affiliate or service provider if the institution retains compliance responsibility, designates a senior officer to oversee the Qualified Individual, and ensures the Qualified Individual’s ISP adequately protects the institution.
- **Risk assessment (16 CFR 314.4(b)(1)):** Reinforces the criticality of risk assessment, which is required to be written, in designing an ISP through expanded descriptions, including the requirement to periodically perform additional risk assessments to re-evaluate reasonably foreseeable internal and external security risks.



# Reminder - Changes to the Gramm-Leach Bliley Act (GLBA) safeguards rule (continued)

## Key changes include (continued):

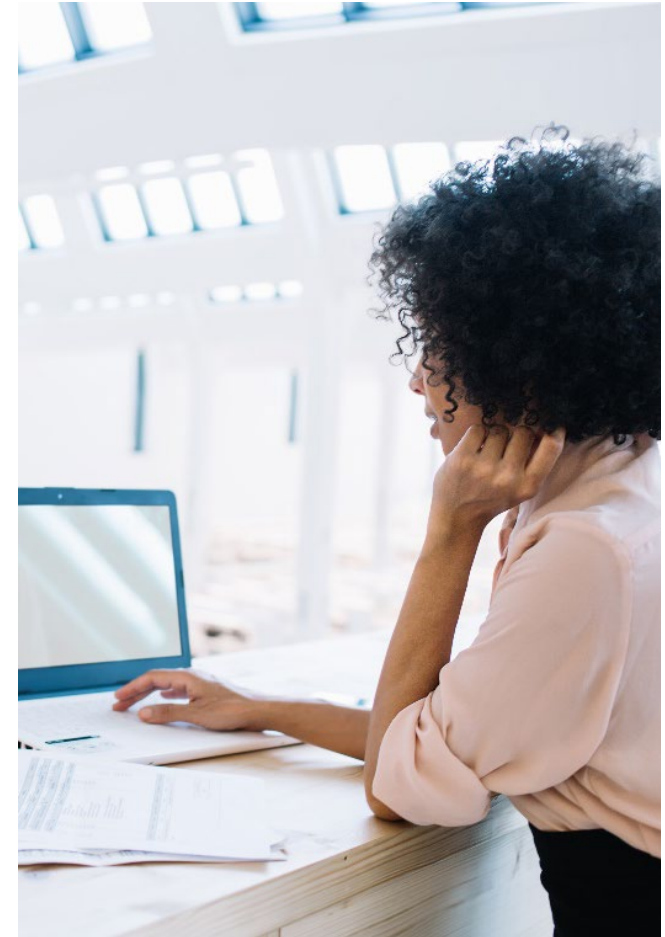
- **Security controls identified in the risk assessment (16 CFR 314.4(c)(1)-(8)):** In addition to addressing elements of adequate risk assessments, safeguards specified in the CFR include:
  - Logical and physical access controls limiting access to authorized users and to the scope of those users' authorizations.
  - Encryption of customer information, both in transit and at rest.
  - Secure development practices for internally developed applications and security assessments for externally sourced applications.
  - Multi-factor authentication for individuals accessing systems.
  - Secure disposal of customer information no more than two years after the information was last used to provide a product or service.
  - Implementation and review of a data retention policy.
  - Change management procedures.
  - Measures to monitor and log activity of authorized users and detect unauthorized access to, use of, or tampering with customer information.



# Reminder - Changes to the Gramm-Leach Bliley Act (GLBA) safeguards rule (continued)

## Key changes include (continued):

- **Regular control testing and monitoring (16 CFR 314.4(d)(2)):** Absent effective continuous monitoring or other systems to detect, on an ongoing basis, changes in information systems that may create vulnerabilities, the institution must conduct annual penetration testing and vulnerability assessments.
- **Personnel policies and procedures (16 CFR 314.4(e)):** Requires updated and relevant security awareness training for personnel. In addition, qualified information security personnel must manage security risks and oversee ISPs, security updates and training must be provided to such personnel to address relevant risks, and such personnel deemed key must be current on changing threats and countermeasures.
- **Service providers (16 CFR 314.4(f)(3)):** Overseeing service providers must include assessments based on the risk they present and the adequacy of their safeguards.
- **Incident response (16 CFR 314.4(h)):** Requires establishment of a written incident response plan with specified elements to respond to and recover from material security incidents.
- **Reporting to governance (16 CFR 314.4(i)):** The designated Qualified Individual must submit a written report at least annually to the institution's governing body on the overall status of and material matters related to the institution's ISP.





**05**

# **COVID-19 federal program considerations**



# 97.036 Disaster Grants – Public Assistance

- Leverage FEMA's system to confirm the status of claims
  - Grants Manager and Grants Portal system– FEMA's grants management system. Only FEMA and Recipients typically have access to the portal system.
- Must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when (1) FEMA has approved the nonfederal entity's Project, and (2) the nonfederal entity has incurred the eligible expenditures.
  - If the nonfederal entity incurs eligible expenditures in its fiscal year 2024 and FEMA approves the nonfederal entity's Project in the nonfederal entity's fiscal year 2025, the nonfederal entity records the eligible expenditures in its fiscal year 2025 SEFA.
- Revenue recognition is consistent with SEFA recognition

# 97.036 Disaster Grants – Public Assistance

- Disposition of purchased supplies

## ***Chapter 6 Section VI B of the Public Assistance Program and Policy Guide (Version 4) - Disposition of Purchased Supplies***

*When supplies are no longer needed for federally funded programs or projects, all Applicants, including State and Territorial government Applicants, must calculate the current fair market value of any unused residual supplies (including materials) that FEMA funded for any of its projects and determine the aggregate total. The Applicant must provide the current fair market value if the aggregate total of unused residual supplies is greater than \$5,000. FEMA reduces eligible funding by this amount. If the aggregate total of unused residual supplies is less than \$5,000, FEMA does not reduce the eligible funding.*

# 93.461 HRSA COVID-19 Claims Reimbursement for Uninsured Program

- OIG Audit released July 2023
  - Audit covered 19 million patients totaling \$4.2 billion (service dates March 1 through December 31, 2020)
  - Random sample of 300 patients totaling \$2.8 million
  - 58 out of 300 sampled patients totaling \$294k were improper
  - 2 out of 300 sampled patients – conclusion could not be determined
  - 240 out of 300 sampled patients – deemed proper
  - On basis of sample results – estimated nearly \$784 million (or 19%) related to improper payments

*Source: July 2023 Office of Inspector General A-02-21-01013 (<http://oig.hhs.gov/oas/reports/region2/22101013.asp>)*

**06**

# **Federal Audit Clearinghouse**

# Federal Audit Clearinghouse (FAC)

FAC provider has changed from Census to GSA. Census shut down their site effective March 31, 2024.

<https://www.fac.gov/>

Historical reports/data 2016 – present are now available in GSA (“Search” function)

30-days after issued audit report or 9 months after year-end (whichever is sooner) is the deadline for FY24



# Federal Audit Clearinghouse (FAC)

Include any additional EINs and additional UEIs

There are no communications as you go through the certification submission process with auditor and auditee

Make sure the UEI for the primary reporting entity is the same on each of the supporting schedules uploaded

Once you click “Proceed to certification” an Excel document of the data collection form will be available





**07**

# **New Federal Funding**

# New Funding Sources for Federal Programs



**Infrastructure  
Investment and  
Jobs Act (IIJA)**

**Chips and  
Science Act  
(CHIPS)**

**Inflation  
Reduction Act  
(IRA)**

# Background on the Infrastructure and Jobs Act (IIJA)

Authorized \$1.2 trillion  
for spending



Signed into law by  
President Biden on  
November 15, 2021



Over \$550 billion  
designated for 'new'  
federal programs for  
transportation,  
infrastructure, and  
broadband



Each of the 100+  
federal programs  
resulting from the IIJA  
have unique aspects



Probable that significant amounts of federal funding will either be passed thru States to For-Profit Entities (as subrecipients) or received directly

# Background on the CHIPS and Science Act (CHIPS)

Authorized \$52.7 billion for spending



Signed into law by President Biden on August 9, 2022



Boost American semiconductor research, development, and production.



\$13.2 billion in R&D and workforce development



Funding coming primarily from the Department of Energy, National Science Foundation, and Department of Commerce

# Background on the Inflation Reduction Act (IRA)

Authorized \$369 billion for spending to address climate change prevention and mitigation and energy transformation



Signed into law by President Biden on August 16, 2022



Fight inflation, invest in domestic energy production and manufacturing, and reduce carbon emissions by roughly 40 percent by 2030



135 programs, including 45 major competitive grant programs



Funding coming from Department of Agriculture, Department of Commerce, Department of Energy, Department of Homeland Security, Department of Housing and Urban Development, Department of the Interior, Department of Transportation, and Environmental Protection Agency

**08**

**Related party  
disclosures required by  
U.S. Department of  
Education (ED)**



# Background

- On October 31, 2023, Department of Education (ED) amended Title 34 Part 668 of the Code of Federal Regulations (CFR) relating to standards for institutions participating in federal student aid programs, effective July 1, 2024
- Institutions to report *all* individual related party transactions in the audited financial statements they file with ED annually
- ED's requirement uses the same related party definition as U.S. generally accepted accounting principles (GAAP)
- GAAP allows financial statement preparers to consider materiality
- ED's regulation states that de minimis routine transactions need not be considered for disclosure purposes. However, ED cites only lunches or meals for trustees as an example, and it is unclear which, if any, other transactions may also be de minimis

# Excerpt from ED regulation 34 C.F.R 668(d)(1):

As part of these financial statements, the institution must include a detailed description of related entities based on the definition of a related entity as set forth in the Accounting Standards Codification (ASC 850). The disclosure requirements under this paragraph (d)(1) extend beyond those of ASC 850 to include all related parties and a level of detail that would enable the Department to readily identify the related party. Such information ~~may~~ **must** include, but is not limited to, the name, location and a description of the related entity including the nature and amount of any transactions between the related party and the institution, financial or otherwise, regardless of when they occurred. If there are no related party transactions during the audited fiscal year or related party outstanding balances reported in the financial statements, then management must add a note to the financial statements to disclose this fact.

# External reporting considerations

	General Purpose	Federal Audit Clearinghouse (FAC)	eZ-Audit Submission to ED
Financial statement audit performed in accordance with...	Generally accepted auditing standards (GAAS)	GAAS <i>Government Auditing Standards (GAGAS)</i>	GAAS GAGAS
Financial Responsibility Standards: (a) incremental note disclosure;(b) Supplementary Schedule of Financial Responsibility Data	Does not include	Does not include	Includes
Related party note	Include in accordance with ASC 850	Include in accordance with ASC 850	Include in accordance with ASC 850 <b>and ED regulations</b>
Purpose and use	General use and submission to EMMA	Submission to FAC	Submission to ED

# Key takeaways

- Reconsider the term “related party” in the context of ED’s requirement and GAAP.
- Re-evaluate the systems, processes, and internal controls necessary to capture and evaluate information needed to comply.
- The implications of personally identifiable information associated with certain disclosures may be complicated, should be carefully assessed, and may merit discussions with the parties affected.
- Understand how a rejected filing could impact the institution.
- Work closely with legal counsel and auditors to navigate the process and any issues identified.
- Continue to monitor and consider AICPA guidance, as well as future clarifying guidance provided by ED (if any).

09

Update to  
*Government Auditing  
Standards*

# Update to *Government Auditing Standards*



## What's new?

The Government Accountability Office (GAO) has updated *Government Auditing Standards* (GAGAS, commonly known as the Yellow Book) to reflect new developments related to audit organizations' systems of quality management. These standards are intended to help ensure that an audit organization produces reliable, objective, and high-quality engagements for use in holding management and officials entrusted with public resources accountable for carrying out their duties.



## When is this effective?

*Government Auditing Standards* 2024 Revision is effective for financial audits, attestation engagements, and reviews of financial statements for periods beginning on or after December 15, 2025, and for performance audits beginning on or after December 15, 2025, with early implementation permitted.



## What are the major revisions?

- Emphasizes the responsibility of an audit organization's leadership for proactively managing quality on its engagements.
- Promotes scalability of the system of quality management used by audit organizations of differing size and complexity.
- Establishes a risk-based process for achieving quality management objectives. This stems from a change in approach to quality, under which *quality management* replace the former term, *quality control*.
- Flexibility for audit organizations subject to other quality management standards to avoid the burden of designing, implementing, and operating separate systems of quality management.
- Promotes proactive and effective monitoring activities and increased emphasis on tailoring monitoring activities.
- Provisions for optional engagement quality reviews of GAGAS engagements.
- Includes application guidance on key audit matters for when they may apply to financial audits of government entities and entities that receive government financial assistance.

# Questions?

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