

439 Mulberry St.  
Macon, GA 31201  
www.mjcpa.com  
478.464.8000  
800.277.0050



## FDIC Transaction Account Guarantee Program Extended

The Federal Deposit Insurance Corporation (FDIC) Transaction Account Guarantee program, which provides unlimited insurance guarantees for non-interest-bearing checking accounts (personal and business), and low (less than 0.5 percent) interest-bearing checking accounts – which was to end on June 30, 2010 – has been extended through December 31, 2010. Due to changes in the program, some banks may opt out of the extended program, so state and local governments should check with their banks to confirm that their deposits remain insured. The FDIC also gave notice that it might extend the program for an additional 12 months – until December 31, 2011 – without further rulemaking.



## Single Audit

by Hope Pendergrass

With the addition of American Recovery and Reinvestment Act (ARRA) Funds, more state and local governments and nonprofits are expending federal funds in excess of \$500,000, thereby increasing the

number of entities required to have Single Audits. We offer the following thoughts and insights to assist you as you prepare for these federal compliance audits.

### Schedule of Expenditures of Federal Awards (SEFA)

Auditors use the Schedule of Expenditures of Federal Awards (SEFA) to select major programs for the Single Audit. The SEFA is the responsibility of the auditee and should be prepared prior to the auditors' arrival for fieldwork. The schedule should reflect *expenditures* not revenues, all amounts should agree/reconcile to the general ledger, and formulas and totals should be correct. Additionally, the following should be included when preparing a SEFA:

- Programs by federal agency (Ex. U.S. Department of Agriculture)
- Pass-through entities where applicable (Ex. Georgia Department of Transportation)
- Catalog of Federal Domestic Assistance (CFDA) numbers
- Identifying number assigned by pass through entity
- Noncash awards (included in the schedule or as a footnote)
- Footnotes that describe the significant account policies used
- ARRA funds designated with the "ARRA-" prefix

Additionally, entities should be aware that some programs are grouped together into a "cluster". Clusters are federal programs with different CFDA numbers that are grouped together because they are closely related and share common compliance requirements. Examples include the Child Nutrition Cluster (USDA), the Aging Cluster (HHS), and the Highway Planning and Construction Cluster (DOT).

## Our Resources

As always, we are available as a resource to you as questions arise related to ARRA funding. We will be in this "together" as both auditor and auditee alike will have to keep up with evolving and fluid guidance from the Federal and State governments.

Please contact any of our government partners and managers listed here, at 1-800-277-0050 if we can help.

Miller Edwards	medwards@mjcpa.com
Meredith Lipson	mlipson@mjcpa.com
Joel Black	jblack@mjcpa.com
Wade Sansbury	wsansbury@mjcpa.com
Rick Hartley	rhartley@mjcpa.com
Adam Fraley	afraley@mjcpa.com
Doug Moses	dmoses@mjcpa.com
Brannon Medley	bmedley@mjcpa.com
Craig Moye	cmoye@mjcpa.com



Americans are embracing environmental responsibility. To help, you can sign up to receive Mauldin & Jenkins's new newsletter, Government Accounting News.

You may sign up by emailing Cristan Haliburton at [chaliburton@mjcpa.com](mailto:chaliburton@mjcpa.com) or by calling 770.541.5457



Mauldin & Jenkins is now on Twitter! Follow **MauldinJenkins** for the latest updates in our industry, the unique and fun aspects of our culture, and more.



### Compliance

Auditors use the current year *U.S. Office of Management and Budget (OMB) Compliance Supplement* (the "Compliance Supplement") to determine applicable compliance requirements for each major program selected for testing (a link to the DRAFT 2010 Supplement is included later in this newsletter). Auditees can refer to the compliance supplement, which is



organized by federal agency and CFDA number, for guidance on applicable compliance requirements, federal agency contact information, information about waivers, and for suggested internal controls.

### Internal Control

In contrast to an audit of the financial statements, auditors **must** document and test controls during a Single Audit. Auditees should consider the five elements of the internal control framework – control environment, risk assessment, monitoring, information and communication, and control activities and ensure that controls **for each element, for each compliance requirement** are in place and functioning as intended. Developing an internal control document which details the controls in place would assist auditees in developing both a plan for assessing risks in regard to federal programs and helping organize and identify where controls could be strengthened.

### Common Deficiencies

The following is a listing of common deficiencies or "findings" noted in the past during our conduct of Single Audits. These deficiencies can be easily avoided through awareness of compliance requirements, strong internal controls and effective communication between relevant parties.

- *Cash Management* – Funds drawn in excessive advance of expenditure
- *Davis Bacon Act* – Failure to include required language regarding prevailing wages and Department of Labor requirements in construction contracts
- *Davis Bacon Act* – Failure to obtain required certified payrolls from contractors
- *Equipment and Real Property Management* - Failure to appropriately identify on the books and records of the entity capital assets purchased with federal funds by funding source and other required identifying information
- *Suspension & Debarment* – Failure to verify non-federal entities paid with federal funds are not suspended or debarred.
- *Subrecipient Monitoring* – Failure to properly monitor the activities of subrecipients

### Changes due to ARRA and the 2010 DRAFT Compliance Supplement

Typically, the Supplement is issued annually in early Spring. However, the 2010 Compliance Supplement is currently behind schedule and is going through a final clearance review process at OMB which could take at least several more weeks. Due to a delay in the finalization of the Compliance Supplement, the OMB has provided a draft version for use in planning 2010 single audit engagements. The Draft is available at: <http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/Pages/Draft2010ComplianceSupplement.aspx>. Some of the more significant changes included in the Draft include, but are not limited to, the following:

- *Clusters* – The addition of new ARRA programs both creating new clusters and adding to existing clusters essentially results in the auditee having a new program (regardless of whether the auditee received funding under other programs in the cluster in prior years) meaning that in most cases, clusters including ARRA programs will have to be audited as major programs.
- *Data Collection Form* – Late filing of Data Collection Form with the Federal Audit Clearinghouse will preclude the auditee from being low-risk, which requires more major programs be audited.

The following changes as required by ARRA were originally included in the June 2009 Compliance Supplement Addendum and are included here for reference.

- *Buy America* - Section 1605 of ARRA prohibits the use of ARRA funds for a project for construction, alternation, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. ARRA does provide for waiver of these requirements under specified circumstances.
- *Special Tests and Provisions* – All programs with ARRA funds are subject to three special tests and provisions in addition to any special tests and provisions required elsewhere in the Compliance Supplement for a particular program. These include:
  1. *Separate Accountability for ARRA Funding* – Expenditures of ARRA funds should be separately identifiable from those of non-ARRA funds.
  2. *Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form* – As mentioned previously, ARRA programs as listed on the SEFA and the Data Collection Form should include the "ARRA-" prefix.
  3. *Subrecipient Monitoring* – Recipients must a.) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and b.) require their subrecipients to provide similar identification on their SEFA and Data Collection Form (as described in item 2 above).

