



50.30 Compliance with Federal Single Audit Act

50.30.10

January 1, 2015

The purpose of these policies

This section addresses the administrative requirements, cost principles and audit requirements related to federal assistance awards administered or expended by state agencies. It also contains state accounting and reporting policies related to administration and expenditure of federal assistance awards.

50.30.15

January 1, 2015

Authority for these policies

This section is issued pursuant to the authority granted to the Director of Financial Management to "...adopt and periodically update an accounting procedures manual" [RCW 43.88.160(1)].

50.30.20

January 1, 2015

Applicability

This part is applicable and binding on all agencies of the state of Washington administering or expending federal assistance, unless otherwise exempted by federal law or appropriate federal authority. The Budget and Accounting Act (RCW 43.88.020) defines the term "Agency" to mean "Every state office, officer, each institution, whether educational, correctional, or other, and every department, division, board, and commission, except as otherwise provided..."

Agencies may request a waiver from complying with the state accounting or reporting requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

50.30.25

January 1, 2015

About the revised Single Audit Act requirements

In 1984, Congress passed the Single Audit Act, which required most governmental recipients of federal assistance (e.g., state and local governments) to have organization-wide financial and compliance audits on an annual basis.

Under provisions of the Single Audit Act, as amended, the state of Washington has opted to obtain a statewide Single Audit to meet the basic federal audit requirements for all federal assistance awards administered or expended by agencies of the State.

Over the years, the federal Office of Management and Budget (OMB) issued several circulars to clarify administrative and audit requirements on various types of federal assistance recipients. These circulars are effective for awards issued **before December 26, 2014**:

- A-21 Cost Principles for Educational Institutions
- A-87 Cost Principles for State, Local and Indian Tribal Governments
- A-110 Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations
- A-122 Cost Principles for Non-Profit Organizations
- A-89 Catalog of Federal Domestic Assistance
- A-102 Grants and Cooperative Agreements With State and Local Governments
- A-133 Audits of States, Local Governments and Non-Profit Organizations
- A-50 Audit Follow-up

Refer to the complete circulars listed above at:

http://www.whitehouse.gov/omb/circulars_default/

In 2013, **effective December 26, 2014**, the OMB issued the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) to clarify and streamline the federal guidance. The Uniform Guidance supersedes the following OMB Circulars: A-21, A-87, A-110, A-122, A-89, and A-102. The major policy changes include:

- eliminating duplicative and conflicting guidance,
- focusing on performance over compliance for accountability,
- encouraging efficient use of information technology and shared services,
- providing for consistent and transparent treatment of costs,
- limiting allowable costs to make best use of federal resources,
- setting standard business processes using data definitions,
- encouraging non-federal entities to have family friendly policies, and
- strengthening oversight.

The Uniform Guidance also addresses audit requirements superseding the OMB circulars A-133 and A-50. The new audit requirements are effective for fiscal years beginning on or after **December 26, 2014**.

The major audit policy changes target audit requirements on the risk of waste, fraud and abuse and raise the dollar threshold for requirement of a Single Audit to \$750,000 or more in expenditures in an entity's fiscal year.

For the complete Uniform Guidance refer to:

http://www.whitehouse.gov/omb/grants_docs#final

50.30.35

January 1, 2015

Responsibilities of the Office of Financial Management

1. Prescribe statewide policies and procedures for accounting for and reporting federal assistance that meet the federal requirements.
2. Act as the auditee for the statewide Single Audit of Washington.
3. Collect the necessary information and prepare the annual Schedule of Expenditures of Federal Awards.
4. Work with the Office of the State Auditor to prepare the statewide Data Collection Form and submit it and the statewide reporting package to the federal audit clearinghouse.
5. Work with the Office of State Auditor to ensure that Single Audit requirements are met, particularly the inclusion of the Auditor's reports in the Reporting Package.
6. Prepare and publish the annual State of Washington Single Audit Report.
7. Maintain a system for tracking findings to provide information on the resolution of all findings contained in audits of state agencies and institutions.
8. Follow-up on audit findings, including compiling the Corrective Action Plan and Summary Schedule of Prior Audit Findings sections.

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Responsibilities of the Office of the State Auditor

1. Conduct an annual statewide Single Audit in accordance with *Generally Accepted Governmental Auditing Standards*.
2. Ensure that audit satisfies Single Audit Act, as amended, and OMB Circular A-133 (through fiscal year 2015) and the Uniform Guidance (effective beginning fiscal year 2016) requirements regarding:

- Financial statements;
 - Internal control;
 - Compliance with laws, regulations and provisions of contract and grant agreements; and
 - Audit follow-up on prior audit findings.
3. Identify major federal programs by establishing dollar thresholds to distinguish between Type A and Type B federal programs per Circular A-133 (through fiscal year 2015) and section 200.518 of the Uniform Guidance (beginning in fiscal year 2016) and performing risk assessment of federal programs as required.
 4. Complete and sign applicable sections of Data Collection Form.
 5. Prepare and submit the auditor's reports.

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Responsibilities of state agencies administering or expending federal awards

1. Develop internal policies in accordance with federal requirements.
2. Establish and maintain effective internal controls over federal awards in accordance with guidance in "Standards for Internal Controls in the Federal Government" issued by the Comptroller General of the United States and the "internal control integrated framework" issued by Committee of Sponsoring Organizations of the Treadway Commission (COSO). Refer to Chapter 20 for additional information on internal controls.
3. Evaluate and monitor compliance with federal statutes, regulations, and the terms and conditions of the federal awards.
4. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
5. Take reasonable measures to safeguard protected personally identifiable information and other sensitive information consistent with applicable federal and state laws regarding privacy and obligations of confidentiality.
6. Identify, account for, and report all expenditures of federal awards in accordance with laws, regulations, contract and grant agreements, and requirements included in this and other sections of the *State Administrative and Accounting Manual*.

7. Provide year-end, certified, federal financial data per requirements included in Chapter 95.
8. Prepare a corrective plan, in the format specified in Subsection 55.10.35, to address each agency audit finding and forward such plan(s) to OFM within 30 days following the issue date of the agency audit. Further, upon request, provide information on the current status of audit resolution in accordance with Subsection 55.10.20 (b).
9. Take corrective action on audit findings.
10. If acting as a pass-through entity, maintain a system of internal controls to monitor subrecipients.
11. Develop and submit cost allocation plans and indirect rate cost proposals in accordance with Section 50.20.

50.30.50

January 1, 2015

Basis of accounting to use with federal assistance transactions

The fund type of the account in which the federal assistance transactions are recorded determines the basis of accounting. Transactions for governmental fund type accounts are recorded using the modified accrual basis. Proprietary and trust fund type accounts use the accrual basis. Refer to Subsection 80.30.20.

50.30.60

January 1, 2015

When to recognize federal assistance revenue

50.30.60.a

Federal financial assistance revenue should be recorded using appropriate revenue source codes. Refer to Subsection 95.10.30.

Governmental Fund Type Accounts. Federal financial assistance is recognized as revenue in governmental fund type accounts in the accounting period when all eligibility requirements are met and it becomes susceptible to accrual, that is, both measurable and available (modified accrual basis). In applying this definition, carefully review legal, contractual, and accounting policy requirements for guidance.

- Entitlements are recorded as revenue at the time of receipt or earlier if the accrual criteria are met. Entitlements are restricted more in form than in substance. Generally, only a failure on the part of the recipient to comply with prescribed regulations will cause a forfeiture of the resources.
- Generally, revenue associated with expenditure driven assistance programs is recognized when the related expenditure is made. If cost sharing or matching requirements exist, revenue recognition depends upon compliance with these requirements.

Revenue associated with federal assistance awards for which the eligibility requirements are met but which is not available, should be recorded as Unavailable Revenue, GL codes 5192 or 5292, and, subsequently, recorded as revenue when the availability criteria is met.

50.30.60.b **Proprietary and Trust Fund Type Accounts.** Federal assistance revenue received in proprietary and trust fund type accounts is recognized as revenue in the accounting period in which it is earned and becomes measurable (accrual basis).

50.30.60.c **Unearned Revenue.** Receipts from federal assistance awards received before the applicable revenue recognition criteria is met are to be recorded as Unearned Revenue, GL codes 5190 or 5290, and, subsequently, recorded as revenue when the revenue recognition criteria is met.

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Use the CFDA number to record federal revenue activity

50.30.70.a Record federal assistance program revenues by the unique code assigned each federal financial assistance program in the Federal Catalog of Domestic Assistance (CFDA) or, in the absence of a catalog defined number, the number defined by instructions from the federal audit clearinghouse. Refer to Subsection 95.20.20. Preferably, this is to be done as an integral part of the agency's accounting system to enable the system to produce reports by catalog number. However, this may be accomplished by maintaining a crosswalk of federal programs to catalog numbers.

50.30.70.b When catalog numbers have not been provided in the federal grant contract and cannot reasonably be determined by other means, agencies should first contact the federal agency or pass-through entity to obtain the appropriate catalog number. In the event a number cannot be obtained, identify federal programs with a number consisting of the two-digit federal agency number and a three-digit federal program of 999 "Other Federal Assistance." Refer to example in Section 95.20.

50.30.80 Accounting for federal expenditures

July 1, 2015

50.30.80.a **Federal Expenditure.** In appropriated accounts, federal expenditures should be recorded using federal expenditure authority codes. Each agency is responsible for maintaining a system for tracking federal expenditures by the unique code assigned each federal financial assistance program in the Federal Catalog of Domestic Assistance (CFDA).

50.30.80.b **Cost of Administering Nonfinancial Programs.** When allowable by the federal assistance program, administration costs for nonfinancial federal programs are recorded as federal revenues and expenditures under the applicable CFDA program number and reported at year-end on the Federal Financial Assistance - Direct screen of the electronic reporting module.

50.30.80.c **Donated Inventory Programs.** Agencies of the state of Washington receive federal nonfinancial assistance in the form of donated inventories (primarily food commodities and immunization supplies). Such assistance may be received directly from a federal agency or indirectly from another state agency.

Donated inventories are recorded as consumable inventories offset by unearned revenue in accordance with Subsection 85.56.40. Except as noted below, as donated inventories are consumed/distributed, revenues and expenditures should be recognized using GL Codes 3225 "Revenue Adjustment/Elimination (GAAP)" and 6525 "Expenditure/Expense Adjustment/Elimination (GAAP)." State agencies must report the fair value of inventory consumed/distributed during the year on the Nonfinancial Assistance screen of the electronic reporting module.

Agencies distributing donated inventories to other governments, such as school districts, local health districts, and food banks, are to report the amount distributed in the pass through column on the Nonfinancial Assistance screen of the electronic reporting module.

Consistent with 50.30.85, state agencies transferring federally provided inventories to other agencies are to report the revenue and expenditure. The agency actually using/distributing the commodities is to report the receipt of nonfinancial assistance as an expenditure recovery offsetting the associated nonfinancial expenditure/expense in its accounting records.

For food commodities, use the commodity list prepared by the Food and Nutrition Service of the U.S. Department of Agriculture to determine the fair value of the nonfinancial assistance.

50.30.80.d

Federal Surplus Property. Do not record the value of federal surplus property received by a state agency or institution as revenue in the official state financial accounting records. Maintain the property in appropriate subsidiary ledgers for proper control of the assets. Report federal surplus property on the Nonfinancial Assistance screen of the electronic reporting module under the applicable CFDA program number. It is to be valued at acquisition value if it is capitalized. If it is not capitalized, it is to be valued at its fair value at the time of receipt or the assessed value provided by the federal agency donating the property. As part of the year-end reporting process, the Surplus Property Program within the Department of Enterprise Services will provide each agency with a summary report of the value of federal surplus property received by that agency during the reporting year.

50.30.85

January 1, 2015

Accounting for federal assistance activity between state agencies

Unless directed otherwise by federal law, regulation or federal awarding agency directive, record federal revenue and expenditure/expense activity between state agencies or institutions such that the activity is not duplicated either for accounting or reporting purposes.

State agencies involved in inter-agency federal assistance activity should use the following accounting procedures:

1. The originating state agency records and reports the federal revenue and a corresponding expenditure/expense using Object N “Grants, Benefits, and Client Services” for the amount paid to the subrecipient agency.
2. The subrecipient state agency records program expenditures offset by an interagency reimbursement (Object S) for the moneys received from the original agency. This results in no net revenue or expenditure/expense to the subrecipient agency.

50.30.90

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Accounting for federal assistance received from another nonfederal entity, other than another Washington State agency (pass-through)

Record federal assistance received indirectly from another state (e.g. Oregon), local government, or private entity as federal pass-through revenue (Revenue Source Code 0546). There are additional year-end financial reporting requirements specific to federal pass-through revenue and expenditures found in Subsection 95.20.70.